

# TAX FLASH NEWS

14 April 2020



## GST Circular update – Clarification on the challenges faced in adhering to compliance requirements

Central Board of Indirect Taxes and Customs (CBIC) have issued a circular<sup>1</sup> clarifying on the challenges faced by the taxpayer in adhering to the compliance requirements post the announcements of relief amid the COVID-19 situation.

Gist of the clarification is as under –

Sr. No.	Issue	Clarification
1	In case of cancellation of contract for supply of services or goods, whether the supplier can adjust, the GST paid on invoices issued, against future outward tax liability or claim refund of such excess tax paid?	<ul style="list-style-type: none"> <li>The supplier to issue a credit note as per Section 34 of the CGST Act, 2017 and adjust the liability in the return subject to fulfilment of the prescribed conditions. There is no need to file for a separate refund claim</li> <li>However, if there is no outward tax liability against which the same can be adjusted, the supplier can file a refund claim under the head “Excess Payment of Tax, if any” through FORM GST RFD-01.</li> </ul>
2	In case of cancellation of contract for supply of services, whether the supplier can adjust, the GST paid on receipt of advance for which the supplier has issued receipt voucher, against future outward tax liability or claim refund of such excess tax paid?	<ul style="list-style-type: none"> <li>The supplier of service who has paid GST on receipt of advance and have not issued an invoice, shall issue a refund voucher in terms of Section 31 (3) (e) of the CGST Act, 2017 read with Rule 51 of CGST Rules, 2017</li> <li>The taxpayer to apply for refund of GST paid on such advances by filing Form GST RFD-01 under the category “Refund of excess payment of tax”.</li> </ul>
3	Where the Letter of Undertaking (LUT) furnished for providing zero-rated supply has expired on 31 March 2020, whether a registered person can still make zero-rated supplies on the basis of such LUT?	<ul style="list-style-type: none"> <li>By virtue of notification<sup>2</sup> issued by CBIC, the time limit for filing of LUT for the year 2020-21 has been extended till <b>30 June 2020</b>, accordingly, the taxpayer can continue to make the supply without payment of tax under LUT, provided that the FORM GST RFD-11 for 2020-21 is furnished on or before <b>30 June 2020</b></li> <li>Taxpayers <u>may quote</u> the reference no. of the LUT for the year 2019-20 in the relevant documents.</li> </ul>

<sup>1</sup> Circular no. 137/07/2020-GST dated 13 April 2020

<sup>2</sup> Notification no. 35/2020-Central Tax dated 3 April 2020

4	Whether the due date for deposit of Tax deducted at Source ('TDS') has also been extended?	<ul style="list-style-type: none"> <li>• The due date, for furnishing the TDS return in Form GSTR-7 and for depositing the TDS amount, which falls during the period 20 March 2020 to 29 June 2020, has been extended till 30 June 2020</li> <li>• No interest shall be leviable if TDS is deposited by <b><u>30 June 2020</u></b>.</li> </ul>
5	Whether the relaxation of timelines also applies to refund application due to be expired on 31 March 2020?	<ul style="list-style-type: none"> <li>• By virtue of notification<sup>2</sup> issued by CBIC, the due date for any compliance required as per Section 54 (1) of the CGST Act, 2017 i.e. filing of refund application during the period 20 March 2020 to 29 June 2020 has been extended till <b><u>30 June 2020</u></b>.</li> </ul>

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