

Research Paper on GST

A compliances introduced through amendment in GST Rules recently vide Notification No. 94/2020 and Notification No. 1/2021, the issues related to its subject wise is as follows.

- i) The following issues which arose with the introduction of Notification No. 94/2020 date 22/12/2020 – Central Tax:

| S.No. | Amendment | Description | Issues with the amendment |
|-------|--|--|--|
| 1. | Restriction on availment of Input Tax Credit ('ITC') as per Rule 36(4) of the CGST Rules | ITC availment in respect of invoices not furnished by the corresponding vendors <u>has been reduced to 5%</u> of matched invoices from the existing 10% with effect from 01 January 2021 Further, the words 'uploaded' (in the context of uploading of Form GSTR-1 by the suppliers) have now been replaced with the word 'furnished'. This indicates that the recipient shall be eligible to avail ITC of matched invoices wherein the supplier has filed return under Form GSTR-1 as against mere uploading of invoices on the GSTN Portal. | There was already a working capital crunch with the 10% rule. This rule further aggravates the same. |
| 2. | Introduction of Rule 86B in the CGST Rules (with effect from 1 January 2021) | The said rule has been introduced to <u>restrict utilisation of available balance in the Electronic Credit Ledger ('ECL') in excess of 99 percent</u> for discharge of output liability wherein the taxable turnover (other than exempt supply and zero-rated supply) exceeds INR 50 lakhs in a given tax period. The said restriction shall not be applicable on the following cases: a. Businesses/stakeholders have paid Income Tax liability exceeding INR 1 lakh in each of the preceding 2 | Restricting usage of ITC is against the spirit of the GST law when seamless ITC flow and utilization of the same was the intent to introduce GST. The ITC paid by assessee is a form of cash that it has already paid to the vendor. To check mismatch of ITC already blockage of ITC is provided under Rule 36(4) which too is against the spirit of law. To bring such compliance burden when the entire trade of the country is badly affected due to COVID-19 and trying to hard to survive revive is too harsh and will add to the hardships of |

