

Year-End Compliances under GST Law – 31.03.2025



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As we are approaching the closure of the financial year 2024-25, taxpayers must give utmost priority to their Goods and Services Tax (GST) compliance to facilitate a smooth transition into the new fiscal year. This period presents a critical opportunity to complete essential compliance tasks. By fulfilling these obligations, taxpayers can minimize the risks associated with non-compliance while enhancing their overall operational efficiency.

To effectively prepare for the upcoming financial year, taxpayers should conduct a comprehensive reconciliation of their sales turnover, input tax credits, and other financial records. This process involves verifying the accuracy of all transactions and promptly addressing any discrepancies that may arise. By adopting these strategic measures, organizations can strengthen their financial position and ensure seamless adherence to GST regulations in the new fiscal year.

The article has divided the activities on the basis of categories for easy understanding.

1. Annual Aggregated Turnover (AATO)

Under GST law, there are a lot of activities that are dependent on the Annual Aggregated Turnover (AATO), businesses need to make sure to calculate their annual aggregated Turnover before doing the following activities:

a. Opting for Composition Scheme – As per rule 3(3) of the CGST Rules, 2017, every registered person who wishes to opt for the composition scheme shall

furnish Form GST CMP-02 before the end of the financial year i.e., before 31st March 2025.

b. Mandatory preparation of E-invoice – As per rule 48(4) read with Notification No. 13/2020 – Central Tax dated 21.03.2020 (As amended), the registered person shall prepare an e-invoice for the supply of goods or services or both to the registered person or exports, whose aggregate turnover is more than Rs. 5 Cr in any preceding financial year from FY 2017-18 onwards. To check the applicability for FY 2025-26, AATO needs to be checked from FY 2017-18 to FY 2024-25. However, an exception is provided to some registered persons from the generation of e-invoices.

Further, from 01.04.2025 onwards, a registered person having an annual aggregate turnover of more than 10 cr. is required to generate an e-invoice within 30 days as per the advisory issued by the GSTN dated 5th November 2024.



- c. Dynamic QR Code** – As per the sixth proviso to rule 46 read with Notification No. 14/2020 – Central Tax dated 21.03.2020 (As amended), an invoice shall have a Dynamic Quick Response (QR) Code if the registered person who is issuing the invoice having AATO more than Rs. 500 Cr in any preceding financial year from FY 2017-18 onwards. For checking applicability for FY 2025-26, AATO needs to be checked from FY 2017-18 to FY 2024-25. However, an exception is provided to some registered persons from having dynamic QR code on the invoice.
- d. Mandatory Registration** – A person needs to make sure that if at the end of the FY 2024-25, his/her turnover crosses the threshold limit or is involved in such activities where compulsory registration is required, he/she has to apply GST Registration.
- e. Filing of ITC-04** – ITC-04 needs to be filed by the registered persons on a yearly or yearly basis depending on the AATO. Registered persons having an AATO of up to 5 Cr are required to file ITC-04 on an annual basis and those having an AATO of more than 5 Cr are required to file ITC-04 on a half-yearly basis.
- f. HSN Code** – As per rule 46 of the CGST Rules, the HSN Code is required to be mentioned on the Tax Invoice. However, as per Notification No. 12/2017– Central Tax dated 28.06.2017 as amended by 78/2020 – Central Tax dated 15.10.2020 and 90/2020-Central Tax dated 01.12.2020, if the AATO is up to Rs. 5 Cr then

4-digit HSN code is required if supply is made to the registered person. If AATO is more than 5 Cr, a 6-digit HSN code is required, in both cases registered as well as unregistered recipient. In the case of some specified supplies, an 8-digit HSN code is required.

* The HSN code for FY 2025-26 is dependent on the turnover of FY 2024-25.

- g. QRMP Scheme** – Quarterly Returns with Monthly Payment (QRMP) scheme for Q1 of FY 2025-26 may be opted for from 01st Feb 2025 to 30th April 2025, if Annual Aggregate Turnover does not exceed Rs. 5 Cr.

2. Important Reconciliations

It is essential to reconcile the turnover (including both taxable as well as exempt turnover) as well as Input Tax Credit as reported in GST returns along with the books of accounts. Therefore, following reconciliations are required to ensure proper compliance with.

- a. Reconciliation of Turnover** – Turnover needs to be reconciled among turnover reported in different tables of GSTR-1, Table 3 of GSTR-3B, and turnover as per books of accounts. (GSTR-1 Vs. GSTR-3B Vs. Books of Accounts), it includes amendments, debit notes as well as credit notes. Such reconciliation must be prepared rate-wise and HSN-wise separately for the following:
- i. Taxable Turnover
 - ii. Exempted Turnover
 - iii. Nil-rated Turnover
 - iv. Non-GST supply
 - v. Taxable under RCM
- b. Reconciliation of ITC availed and reversal**
Reconciliation: ITC availed in Form GSTR-3B needs to be reconciled with the Books of accounts. Further, a review of the Electronic Credit Reversal and Re-claimed Statement (ECRS) is also required to re-avail the credit parked in ECRS upon fulfilling the condition.

3. Transactions liable to RCM

- a. RCM Invoice** – As per section 31(3)(f) of the CGST Act read with rule 47A of the CGST Rules, if the supplier is unregistered then an invoice shall be issued by the registered person (recipient) within a period of 30 days from the date of receipt of goods or services or both. Therefore, the registered person needs to make sure of the following:

A person needs to make sure that if at the end of the FY 2024-25, his/her turnover crosses the threshold limit or is involved in such activities where compulsory registration is required, he/she has to apply GST Registration.

- i. RCM invoice must have been prepared
- ii. Taxes must have been discharged, and corresponding ITC (if eligible) must have been availed.

	Registered Supplier	Unregistered Supplier
Self-Invoice	No	Yes
Payment Voucher	Yes	Yes

- It is important to note that in case taxes were not discharged on inward supply taxable under reverse charge, do not discharge through Form DRC-03. Discharge only through Form GSTR-3B so that corresponding ITC can be availed.
- As per para 2.7 of Circular No.211/5/2024-GST dated 26.06.2024, "in case, the recipient issues the invoice after the time of supply of the said supply and pays tax accordingly, he will be required to pay interest on such delayed payment of tax. Further, in cases of such delayed issuance of invoice by the recipient, he may also be liable to penal action under the provisions of Section 122 of the CGST Act.
 - b. Important Reconciliation** – Inward supply, on which tax is paid by the recipient under reverse charge, is not reported in GSTR-1. It is only

reported in GSTR-3B and GSTR-9. Therefore, reconciliation needs to be prepared on the basis of the amount reported in GSTR-3B and showing in the books of accounts.

- i. RCM liability Reconciliation
- ii. RCM ITC availed

4. Cross Charge Vs. ISD Registration

- a. Cross Charge** – Cross Charge is applicable in case of internally generated services, therefore in the case of distinct persons, registered persons need to make sure that whether the invoicing has been done by one distinct person to another distinct person. Such an issue is also clarified by the Circular No. 199/11/2023-GST dated 17.07.2023.
- b. ISD Registration** – The word "Input Service Distributor" has been defined in section 2(61) of the CGST Act. This is substituted vide the Finance Act 2024 and is applicable with effect from 01st April 2025. Further, such definition is also amended by the Finance Bill 2025 to incorporate the inward supply u/s 5(3) & 5(4) of the IGST Act, 2017, and applicable with effect from 01st April 2025.

5. Other Points

- a. New invoice series** – The registered person needs to make sure to apply a new unique series for the Tax Invoice, Debit Note, Credit Note, Delivery Challan, Bill of Supply, Invoice-cum-bill of supply, etc.
- b. Other Income** – Taxpayers need to make sure regarding other income showing in books of accounts which is subject to GST. For example, profit on the sale of cars, etc.
- c. Special Transactions** – There are some transactions that are not reflected in profit & loss accounts as not related to the ordinary course of business. A registered person

Further, a review of RCM Liability/ITC Statement is also required along with books of accounts.

GSTR-3B	Table 3.1(d) – RCM Liability
	Table 4A(2) - Import of supply
	Table 4A(3) – Inward supply liable to reverse charge other than import of goods or services
GSTR-9	Table 4G – RCM Liability
	Table 6C – Inward supply received from unregistered persons liable to reverse charge
	Table 6D - Inward supply received from registered persons liable to reverse charge
	Table 6F - Import of services (excluding inward supplies from SEZs)

needs to be extra cautious regarding such transactions. Examples of such transactions are the sale of fixed assets.

- d. **Refund** – Refund needs to be applied within the time period of 2 years from the relevant date as provided under GST law. Therefore, taxpayers need to be more cautious regarding filing of application of refund which is getting time barred near to closure of the financial year.
- e. **TDS and TCS Credit Received** – As per Section 51 of the CGST Act, TDS @ 2% (1% - CGST & 1% - SGST) is required to be deducted by the deductor and as per Section 52 of the CGST Act, TCS @ 0.5% is required to be collected by the E-commerce operator. All the TDS deducted and TCS collected amounts are reflected in the electronic cash ledger after successfully accepting the same in the TDS and TCS credit received option. Such balances must be reconciled with the balance lying in books of accounts.
- f. **Filing of LUT** – Filing of Letter of Undertaking (LUT) is an important aspect before making any zero-rated supply in the FY 2025-26.
- g. **Reversal of ITC as per rule 37** – As per rule 37 of the CGST Rules, the amount of input tax credit needs to be reversed if the recipient fails to make payment to the supplier within 180 days. The recipient needs to reverse the amount along with interest.
- h. **Reversal of ITC as per rule 37A** – As per rule 37A of the CGST Rules, the amount of input tax credit needs to be reversed if the supplier fails to file GSTR-3B. So, the taxpayers need to prepare the list of suppliers who have not filed their GSTR-3B and ask them to furnish the return to avoid reversal of ITC.

It is essential to reconcile the turnover (including both taxable as well as exempt turnover) as well as Input Tax Credit as reported in GST returns along with the books of accounts.

- i. **Reconcile GST ledger balances with the Books of Accounts** – The balances appearing in the electronic ledgers on the GST portal need to be reconciled with the balances reflected in the books of accounts and if there is any difference then that needs to be dealt with accordingly.
- j. **Declaration by GTA (Goods Transport Agency)** – As per Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended by 06/2023-Central Tax (Rate) dated 26.07.2023, if a GTA wants to shift from a forward charge mechanism to reverse charge mechanism for FY 2025-26 then he has to file a declaration between 1st January 2025 to 31st March 2025.
- k. **Reversal of ITC as per rule 42/43** – The taxpayer needs to make sure that reversal of ITC is also required to be calculated on a yearly basis as per rules 42 & 43 of the CGST Rules. Two scenarios are possible:
 - i. The amount already reversed is less than such amount – the difference amount needs to be reversed.
 - ii. The amount already reversed is greater than such amount – a difference amount may be availed.

The time limit for availing ITC as per section 16(4) is 30th November 2025 for FY 2024-25. However, it is important to note that the last return for availing ITC or reversing ITC without interest as per rule 42/ 43 is the September month return following the end of the financial year.



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