PKC MANAGEMENT

CONSULTING

# Self-Invoice, New GST Statements, FTP

25-Nov-2024

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## A. RECENT AMENDMENTS

# 1. Self-Invoicing for RCM transactions (1/2)

**Source:**

Notification No. 20/2024 – Central Tax dated October 8, 2024.

**1. What is self-invoicing?**

Generally, in a transaction, the seller raises a Tax Invoice & issues it to the buyer. However, under Self- Invoicing, the buyer (not the seller), has to generate the tax invoice for the supply.

**2. Persons liable to raise a self-invoice:**

With effect from 1st November 2024, every registered person who receives goods or services which is liable for tax under Reverse Charge Mechanism (notified in sections 9(3) and 9(4) of the Act), shall be liable to raise a self-invoice.

Previously, only a payment voucher is required - which used to be often not raised by the buyer.

Now, the self-invoice needs to be raised within within 30 days of the supply.

**3. Format of Invoice:**

The Invoice should be a tax invoice similar to what is issued for sales.

Key difference between a regular invoice & the self invoice is that the fact that "Tax is payable on reverse charge basis" should be mentioned on the self-invoice & the GST amount should not be mentioned on the invoice.

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## A. RECENT AMENDMENTS

# 1. Self-Invoicing for RCM transactions (2/2)

**4. Reporting requirements:**

As of now, the starting number, ending number & count of such invoices issued should be declared in Table 13 of GSTR 1 under "2. Invoices for inward supply from unregistered person".

There is currently no requirement to raise an E-Invoice or report the invoice in GSTR 1 by the buyer. In GSTR 3B, there is no requirement to declare invoice-wise details but the total tax to be paid under RCM should be declared.

Pls note that if the invoice is not available or the invoice number is not declared in the range mentioned in GSTR 1, the GST department may not allow the buyer to claim Input Tax Credit on the amount paid in cash to the government under RCM.

**5. Steps to be taken:**

In software used for accounting, configurations need to be made to ensure that a format in the prescribed format is generated automatically.

Also, a separate numbering of vouchers need to be maintained for such RCM transactions so that they can be easily & properly reported in GSTR 1.

**6. Illustration**

Date of receipt of services- 25th November 2024

Taxable Value - 1,00,000

Tax amount - 18,000 to be paid on RCM basis

The recipient has to issue a invoice to the supplier for Rs. 1,00,000 by 25th December 2024.

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# A. RECENT AMENDMENTS

## 2. RCM Liability/ITC Statement (1/2)

**1. What is RCM Liability/ITC Statement?**

Generally, tax under Reverse Charge Mechanism is paid (in cash) by the buyers by reporting the liability under Table 3.1(d) of GSTR 3B. Once the payment is made, the same is claimed as Input Tax Credit under Table 4A(2) & 4A(3).

The RCM Liability/ITC Statement is a comparison of how much tax liability has been paid & how much ITC has been claimed.

**2. What happens if there is a deviation?:**

If there is any deviation between payment & claimed (Excess or Short Claim), then the deviation comes in as closing balance & gets carried to the next month. If the deviation has been rectified in the subsequent month, then the subsequent month's closing balance becomes Nil.

**3. How to access this report?:**

After logging into the GST Portal, go to Services -> Ledgers -> RCM Liability/ITC Statement -> RCM Liability/ITC Statement

**4. How to handle differences in the past?:**

If there are any differences in the past which have been corrected in the current period, then such difference should be brought in as opening balance of the ledger (since if it is not brought in, the correction will show as a difference & the balance will keep getting carried forward).

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# A. RECENT AMENDMENTS

## 2. RCM Liability/ITC Statement (2/2)

**5. Reporting of Opening balance of the RCM ITC statement:**

To report opening balance of the RCM ledger, go to Services -> Ledgers -> RCM Liability/ITC Statement -> Report RCM ITC Opening balance & report the following values

- If the Taxpayer has paid more Tax under RCM than ITC on RCM has been claimed & such excess RCM paid has been claimed in the current period, then the difference should be reported as a positive balance in the opening balance
- If the Taxpayer has paid less Tax under RCM than ITC on RCM has been claimed & such short RCM paid has been paid in the current period, then the difference should be reported as a negative balance in the opening balance

Pls note that the opening balance is as on current date only & can be updated once. Also the statement would be available only from 24th August 2024

**6. Action Points:**

Care must be taken to ensure that the closing balance of this ledger should not become negative (that is, ITC claimed more than what has been paid).

If the closing balance is positive, then the closing balance has to be claimed before expiry of the due date for claiming ITC for that Financial Year. If the ITC has not been claimed on account of the tax being Ineligible ITC, then it should be claimed under Table 4A & then reversed separately below in GSTR 3B.

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## A. RECENT AMENDMENTS

# 3. ITC reversal & reclaimed statement (1/2)

**1. What is ITC Credit Reversal & Re-Claimed statement?:**

Certain types of ITC are reversed in Table 4B(2) of GSTR 3B which cannot be availed due to reasons like non-payment of consideration to supplier, supplier not filing returns, credits blocked due to certain reasons.

Such ITCs are eligible for re-claim if the conditions are satisfied later on. Such reclaim is added in Table 4A(5) of GSTR 3B but disclosed separately in Table 4D(1).

This statement compares the ITC reversed but is eligible for re-claim & the ITC which has actually been re-claimed.

The Electronic Credit Reversal and Re-claimed Statement will show the Input Tax Credit (ITC) claimed, reversed, and re-claimed during a specific return period. The Closing Balance section of the statement will indicate the remaining amount of ITC Reversal balance that can be claimed again in form GSTR-3B.

**2. What happens if there is a deviation?:**

If there is any deviation, such deviation is reported as excess or short claim of ITC & is carried forward to the subsequent periods.

**3. How to access this report?:**

After logging into the GST Portal, go to Services -> Ledgers -> Electronic Credit Reversal and Re-claimed Statement -> Electronic Credit Reversal and Re-claimed Statement

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## A. RECENT AMENDMENTS

# 3. ITC Credit reversal statement (2/2)

**4. How to handle differences in the past?:**

If there are any differences in the past which have been corrected in the current period, then such difference should be brought in as opening balance of the ledger (since if it is not brought in, the correction will show as a difference & the balance will keep getting carried forward).

The process to update is similar to that of the RCM Liability/ITC Statement.

**5. Action Points:**

Care must be taken to ensure that only the re-claimable ITC (list of such ITC is provided in the GSTR 3B form itself) is reported in Table 4B(2) & if any such ITC is again claimed, then it needs to be disclosed in Table 4D(1) accurately

Care should be taken to reclaim within the period allowed for claim of ITC

**6. Benefits of Electronic Credit Reversal and Re-claimed Statement**

- The ECRS was introduced to keep a tab on the extent of ITC reversals and reclaims easily by taxpayers. It provides the taxpayer and tax authority visibility of the ITC reversed balance upfront and the maximum amount eligible for reclaims on a given date
- It promotes the tracking of ITC that has been reversed and thereafter re-claimed for every month/quarter
- It helps to ensure that the ITC reclaimed aligns with the corresponding ITC reversed
- It allows taxpayers to avoid any clerical mistakes.

# B. PKC KNOWLEDGE BULLETIN

## 1. Foreign Trade Policies (1/5)

**1.What is Foreign trade policy?**

Foreign trade policy, or FTP, is an essential set of rules on how country does business with the world. The Directorate General of Foreign Trade (DGFT) takes charge of it.

The main goals of country's FTP are to boost exports, create favourable conditions for trade, and support steady economic growth.

**2.Objectives of FTP:**

- To increase India's export and import growth.
- To stimulate long-term economic growth by increasing access to intermediates, components, consumables, essential raw materials, and capital goods.
- To improve the competitiveness of the agriculture industry and services, create new employment opportunities and encourage the attainment of internationally accepted quality standards.
- To supply high-quality services and goods at an affordable cost. Canalization is a critical component of Exim Policy, as it restricts the import of certain goods to designated agencies. For example, only SBI and a few foreign banks or recognised organisations may import gold in bulk.

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## B. PKC KNOWLEDGE BULLETIN

# 1. Foreign Trade Policies (2/5)

**Remission of Duties and Taxes on Exported Products (RoDTEP):**

**1. About this Scheme:**

In January 2021, the Indian government launched the Remission of Duties or Taxes on Export Products (RoDTEP) Scheme to replace the export subsidy MEIS Scheme in order to be WTO compliant. This consolidated and reintroduced export-related tax refunds from the RoSCTL.

The objective of this scheme is to neutralize the costs on the exported goods by providing rebates on all hidden central, state and local duties, levies and taxes not refunded through existing schemes.

This scheme refunds SMEs, especially manufacturer exporters and merchant exporters, for hidden costs borne on inputs to produce products exported from India. It incentivises small exporters with duty scrips and ensures WTO compliance for India exporters.

**2. Who are eligible?:**

All exporters of goods - merchant exporters and manufacturer exporters - are eligible to claim the benefits of the RoDTEP scheme as long as the country of origin is India.

**3. Types of goods that are not eligible?:**

- Products manufactured or exported by a unit licensed as a 100% Export Oriented Unit (EOU) under the Foreign Trade Policy (FTP)
- Products manufactured or exported by any units in the Free Trade Zone (FTZ) or Export Processing Zones (EPZs)
- Re-exported products

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## B. PKC KNOWLEDGE BULLETIN

# 1. Foreign Trade Policies (3/5)

**Remission of Duties and Taxes on Exported Products (RoDTEP):**

**4. What duties are waived off?:**

- Goods and Service Tax
- Import Customs duties
- Electricity duty on the purchase of power for manufacturing the product
- Mandi Tax, Municipal tax or Property Tax
- Stamp Duty on export documents
- VAT and Excise Duty

**5. Conditions to be fulfilled:**

To be eligible to avail the benefits of this scheme, the exported products need to have the country of origin as India

**6. Penalty in case of Non-compliance:**

- Recovery of rebate amount by CBIC
- Suspension/withholding of RoDTEP license
- Imposition of penalty by CBIC.

**7.Regulatory Bodies governing the RoDTEP Scheme:**

The Indian Ministry of Finance, through the Department of Revenue, fully administers the RoDTEP scheme. However, there is a separate RoDTEP Policy Committee (RPC) chaired by the DGFT. The RPC comprises the Department of Revenue, the DGFT, line ministries and experts from the prioritised sectors.

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# B. PKC KNOWLEDGE BULLETIN

## 2. Foreign Trade Policies (4/5)

**Services Exports from India Scheme (SEIS):**

**1. About this Scheme:**

Service Exports from India Scheme (SEIS) aims to promote the export of services from India by providing duty scrip credit for eligible exports. Under the Scheme, service providers located in India would be rewarded under the SEIS scheme for all eligible export of services from India. Service Exports from India Scheme was earlier termed as Served from India Scheme (SFIS).

Under the framework of the SEIS Scheme, under implementation since 01.04.2015, service exporters for eligible service categories, are granted benefits in the nature of transferable Duty Credit Scrips as a percentage of Net Foreign Exchange earned on export of the eligible services in a financial year. The Duty Credit Scrips can be used Payment of Basic Customs Duty and certain other duties

**2. Who are eligible?:**

The eligibility Criteria for Service Exports from India Scheme (SEIS) are as follows:

- To be eligible under this Scheme, the service provider shall have minimum net free foreign exchange earnings of $15,000 in the preceding financial year.
- For Individual Service Providers and Sole Proprietorships, the minimum net free foreign exchange earnings criteria are $10,000 in the preceding financial year.
- To claim the incentives, the service provider is required to have an active IEC Code at the time of rendering such services.

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# B. PKC KNOWLEDGE BULLETIN

## 2. Foreign Trade Policies (5/5)

**Services Exports from India Scheme (SEIS):**

- Suppose the IEC holder is a manufacturer of goods and service provider. In that case, the foreign exchange earnings and Total Expenses/ payment/ remittances are to be considered for the service provider only.

**3.Calculation of benefit :**

Exporters of selected Services are entitled to a 3% / 5% / 7% incentive on the Net Foreign exchange earned* in the form of Duty Credit Scrips. These SEIS scrips can be used to pay Import duty or encashed by selling them to any Importer.

*Net foreign exchange earnings for the SEIS scheme are calculated as follows:

Net Foreign Exchange = Gross Earnings of Foreign Exchange – Total Expenses or payment or remittances of Foreign Exchange.

**4.Penalty in case of Non-compliance:**

Penalty of not less than ten thousand rupees and not more than five times the value of the goods or services or technology in respect of which any contravention is made or attempted to be made, whichever is more.

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