

(e) Charging of interest on net cash liability w.e.f. 01.07.2017. Council's decision in its 45th meeting, to apply the same for ineligible ITC availed and utilized.

(f) Requirement of filing **FORM GST ITC-04** under Rule 45 (3) of the CGST Rules has been relaxed as under:

- Taxpayers whose Aggregate Annual turnover in preceding financial year is above ₹ 5 Cr shall furnish **FORM ITC-04** once in six months;
- Taxpayers whose Aggregate Annual turnover in preceding financial year is upto ₹ 5 Cr shall furnish **FORM ITC-04** annually.

(g) Export related clarifications have been issued vide Circulars No. 159 and 161, both dated 20.09.2021. This has removed ambiguity in interpretation of export of services in general, and scope of intermediary services in particular.



GST Policy Initiatives for MSMEs



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GOODS AND SERVICES TAX

Policy Initiatives for MSMEs

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Directorate General of Taxpayer Services
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Policy Initiatives For MSMEs

1. In general, GST Law provides for beneficial treatment of small taxpayers through various provisions of the Act.

- (a) No registration required for inter-state and intra-state supply of services upto ₹ 20 Lakh (₹ 10 Lakh for States of Manipur, Mizoram, Nagaland and Tripura).
- (b) No registration required for intra-state supply of goods upto ₹ 40 Lakh (₹ 20 Lakh in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand) w.e.f. 01.04.2019.
- (c) Tax on advance received for supply of goods has been exempted.
- (d) Composition scheme has been formulated for small businessman being supplier of goods and supplier of restaurant services. Under the scheme, person with turnover up to ₹ 1.5 Cr (₹ 75 Lakh in States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand) needs to pay tax equal to 1% to 5% on his turnover and needs to file his returns annually with quarterly payment.
- (e) Composition scheme has been formulated for supplier of services. Under the scheme, person with turnover up to ₹ 50 Lakh need to pay tax equal to 6% on his turnover and needs to file his returns annually with quarterly payment from FY 2019-20.
- (f) Composition taxpayers have to pay tax on quarterly basis. Such taxpayers do not have to maintain elaborate accounts and records and instead of monthly statements and a return they shall file quarterly challans and one annual return.
- (g) Free Accounting and Billing Software shall be provided to small taxpayers by GSTN.
- (h) Grievance Redressal Committees (GRC) have been constituted at Zonal/State level with both CGST and SGST officers including representatives of trade and industry and

other GST stakeholders (GST practitioners and GSTN etc.). These committees addresses grievances of specific/ general nature of taxpayers at the Zonal/ State level.

2. Recent GST and Policy Initiatives for MSME Sector:

- (a) QRMP Scheme for small taxpayers: A scheme of quarterly filing and monthly payment (QRMP) has been introduced w.e.f. 01st January 2021 where the small taxpayers with Aggregate Annual Turnover up to ₹ 5 Cr have an option to file returns on quarterly basis, instead of monthly return. Number of returns in a year reduced from 24 earlier to 8 now for such taxpayers. This scheme is available to approx. 89 % of the taxpayers registered under GST.
- (b) To reduce burden of late fee on smaller taxpayers, the upper cap of late fee has been rationalized to align late fee with tax liability/ turnover of the taxpayers.
 - The late fee for delay in furnishing of **FORM GSTR-3B** and **FORM GSTR-1** capped, per return, as below:
 - (i) For taxpayers having nil tax liability in **FORM GSTR-3B** or nil outward supplies in **FORM GSTR-1**, the late fee capped at ₹ 500/- (₹ 250/- CGST + ₹ 250/- SGST)
 - (ii) For other taxpayers:
 - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year upto ₹ 1.5 Cr, late fee capped to a maximum of ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST);
 - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year between ₹ 1.5 Cr to ₹ 5 Cr, late fee capped to a maximum of ₹ 5,000/- (₹ 2,500/- CGST + ₹ 2,500/- SGST);
 - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year above ₹ 5 Cr, late fee capped to a maximum of ₹ 10,000/- (₹ 5,000/- CGST + ₹ 5,000/- SGST).
 - The late fee for delay in furnishing of **FORM GSTR-4** by composition taxpayers capped to ₹ 500/- (₹ 250/- CGST +

₹ 250/- SGST) per return, if tax liability is nil in the return, and ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST) per return for others.

- Late fee payable for delayed furnishing of **FORM GSTR-7** reduced to ₹ 50/- per day (₹ 25/- CGST + ₹ 25/- SGST) and capped to a maximum of ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST) per return.
- (c) COVID related relaxations for smaller taxpayers having AATO upto ₹ 5 Cr have been provided for months of March, April and May, 2021 as follows:
 - **Reduction in Interest:** Nil rate of interest for the first 15 days from the due date of payment of tax, 9% for the next 45 days / 30 days / 15 days for the period March 2021 / April 2021 / May 2021
 - **Waiver of late fee:** Late fee waived for 60 days in respect of the returns in **FORM GSTR-3B** furnished beyond the due date for tax periods March 2021. The same was waived for 45 days and 30 days for April 2021 and May 2021 respectively
- (d) Simplification of Annual Return:
 - Exemption from filing annual return in **FORM GSTR-9** for FY 2021-22 has been provided to taxpayers having Aggregate Annual Turnover upto ₹ 2 Cr vide Notification No. 14/2022-Central Tax dated 05.07.2022.
 - Amendments in section 35 and 44 of CGST Act made through Finance Act, 2021 has been notified. This eased the compliance requirement in furnishing reconciliation statement in **FORM GSTR-9C**, as taxpayers are now able to self-certify the reconciliation statement, instead of getting it certified by chartered accountants. This change applies for Annual Return for FY 2020-21 onwards.
 - The filing of annual return in **FORM GSTR-9** for FY 2020-21 has been made optional for taxpayers having Aggregate Annual Turnover upto ₹ 2 Cr.
 - The reconciliation statement in **FORM GSTR-9C** for the FY 2020-21 is required to be filed by taxpayers with Aggregate Annual Turnover above ₹ 5 Cr.