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Central Government issued notification number 94/2020 – Central Tax dated 22 December 2020. Summary of important changes made by said notification are mentioned below: -

**1 Changes applicable from 1 January 2021**

**1.1 Difference between ITC available as per GSTR-2A and ITC claimed in GSTR-3B has been capped at 5%**

As per existing provisions, ITC in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, shall not exceed 10% of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1. As per the amendment, limit of 10% has been reduced to 5% with effect from 1 January 2021.

**1.2 Restriction on use of amount available in Electronic Credit Ledger (New Rule 86B in CGST Rules 2017)**

Rule 86B in CGST Rules 2017 has been introduced to provide that registered person shall discharge at least 1% of his output tax liability (i.e. excluding reverse charge liability) through Electronic Cash Ledger where value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds 50 lakh rupees. The said restriction will not apply in following cases: -

- (i) The registered person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than 1 lakh rupees as income tax under the Income-tax Act, 1961 in each of the last two financial years for which the time limit to file return of income under sub-section (1) of section 139 of the said Act has expired
- (ii) the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit pertaining to zero rated supplies made without payment of tax
- (iii) the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit pertaining to inverted duty structure
- (iv) the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year

- (v) the registered person is – (a) Government Department; or (b) a Public Sector Undertaking; or (c) a local authority; or (d) a statutory body

It is to be noted that tax paid on reverse charge basis will not be considered for computing 1% criteria.

It has also been provided that Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

### 1.3 Changes in validity of E-way Bill

Changes have been made to reduce the validity of E-way bill. As per the new provisions, validity of E-way bill is as follows: -

Sr. No.	Old Distance	New Distance	Validity Period
1	Upto 100 km.	Upto 200 km.	One day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
2	For every 100 km. or part thereof thereafter	For every 200 km. or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
3	Upto 20 km	Upto 20 km	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
4	For every 20 km. or part thereof thereafter	For every 20 km. or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship

## 2 Changes applicable from immediate effect i.e. with effect from 22 December 2020

### 2.1 Increase in time limit for granting GST registration

Time limit for approving the GST registration application by proper officer has been increased to 7 days from existing 3 days.

### 2.2 Increase in power of proper officer for cancellation of registration

Changes have been made in rule 21 of CGST Rules 2017 to provide that proper officer can cancel the registration in following cases

- Registered person avails input tax credit in violation of the provisions of section 16 of the Act or the rules made thereunder; or
- Registered person show more liability in GSTR-1 vis a vis GSTR-3B for one or more tax periods; or
- Registered person violates the provision of rule 86B.”

### 2.3 Suspension of registration without following principle of natural justice

Changes have been made in rule 21A (2) of CGST Rules 2017 to provide that proper officer can suspend the registration in scenarios covered under section 29 of CGST Act 2017 or rule

21 of CGST Rules 2017 without providing the registered person a reasonable opportunity of being heard.

#### 2.4 Suspension of GST registration on certain analytics

Changes have been made in rule 21A of CGST Rules 2017 to provide that GST registration can be suspended in following scenario and intimation of same will be give in Form GST RFD-31.

*Where, a comparison of the GSTR-3B furnished by a registered person with*

*(a) the details of outward supplies furnished in FORM GSTR-1; or*

*(b) the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their FORM GSTR-1, or*

*such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the Act or the rules made thereunder, leading to cancellation of registration of the said person*

#### 2.5 Non granting of refund during suspension period

Changes have been made to provide that no refund will be granted to registered person, whose registration has been suspended, during the period of his suspension.

#### 2.6 Restriction on furnishing of GSTR-1 in certain cases

Changes have been made to provide that in following cases, registered person shall not be able to file GSTR-1.

- (i) Registered person has not furnished the return in FORM GSTR-3B for preceding two months if he has not opted for quarterly filing of GSTR-3B
- (ii) Registered person has not furnished the return in FORM GSTR-3B for preceding tax period if he has opted for quarterly filing of GSTR-3B
- (iii) a registered person has not furnished the return in FORM GSTR-3B for preceding tax period and who is required to pay at least 1% of his liability through Electronic Cash Ledger

#### 2.7 Restriction on Generation of E-way Bill

Changes have been made to provide that no person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall be allowed to furnish the information in **PART A of FORM GST EWB-01** in respect of a registered person, whether as a supplier or a recipient whose registration has been suspended.

### 3 Changes applicable from date to be notified later

#### 3.1 Change in GST registration process

Changes have been made in the manner of taking GST registration. As per the proposed changes, every GST registration application shall be followed by: -

- a) **Person has opted for Aadhar Authentication** - Biometric-based Aadhaar authentication and taking photograph of specified persons along with the verification of

the original copy of the documents uploaded with the application in FORM GST REG-01 at one of the Facilitation Centres notified by the Commissioner; or

- b) **Person has not opted for Aadhar Authentication** - Taking biometric information, photograph and verification of such other KYC documents of specified person along with the verification of the original copy of the documents uploaded with the application in FORM GST REG-01 at one of the Facilitation Centres notified by the Commissioner

**Meaning of Specified person:** - Specified person does not include a person who is not a citizen of India or a class of persons other than the following class of persons, namely: –

- a) Individual;
- b) authorised signatory of all types;
- c) Managing and Authorised partner; and
- d) Karta of a Hindu undivided family.

Should you need any further clarifications, please let us know.

Regards,

Ashish Bajaj