



QUARTERLY RETURN AND MONTHLY PAYMENT SCHEME (QRPS) FOR EASE OF TAX COMPLIANCE IN GST FOR SMALL TAXPAYERS

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With the introduction of Goods and Services Tax Act in July 2017, Government stressed on complete automation of Indirect Tax regime by proposing to bring into matching of invoices. The scheme could not see much success due to Information Technology related issues. The proposed system of GST returns (GSTR 1, 2 and 3 with auto-population of credits in 2A) was done away with in the first month itself by bringing in GSTR 1 and GSTR 3B for normal taxpayers.

The 3 years of GST has seen plethora of changes in the return filing mechanism with introduction of restrictions on ITC availment. The fallacy of GSTR 2A being its dynamic nature which kept on changing on real time basis with reporting of supplier invoices. To overcome this complexity, Government introduced form GSTR 2B which allowed businesses to download details of ITC Invoices on 12th of the subsequent month to crystallize the quantum of Input Tax Credit to be availed in GSTR 3B. The reconciliation of input tax credit is still a challenge for the businesses.

The GST Council in their 42nd Meet on 5th October 2020 proposed a quarterly return filing system for small taxpayers having aggregate turnover up to Rs. 5 crores with effect from 1st January, 2021.

Recently CBIC has issued **Circular No. 143/13/2020- GST dated 10th November 2020**, outlining guidelines and framework for the proposed quarterly return filing system with monthly payment of taxes (herein after referred to as "QRMP Scheme/ QRMP"). The article attempts to discuss in detail the proposed QRMP scheme as outlined by the recent Circular and Notifications.

1. Legal Provisions –

Sl. No	Notification and Circular Details	Summary
1	Notification No. 81/2020 –Central Tax, dated 10 th Nov, 2020	Notifies amendment carried out in sub-section (1), (2) and (7) of section 39 of the CGST Act vide Finance (No.2) Act, 2019.
2	Notification No. 82/2020 –Central Tax, dated 10 th Nov, 2020	Thirteenth amendment (2020) to the CGST Rules 2017.
3	Notification No. 84/2020 –Central Tax, dated 10 th Nov, 2020	Notifies class of persons under proviso to section 39(1) of the CGST Act.
4	Notification No. 85/2020 –Central Tax, dated 10 th Nov, 2020	Notifies special procedure for making payment of tax liability in the first two months of a quarter
5	Circular No. 143/13/2020- GST dated 10 th November 2020	Outlines the details of the QRMP Scheme

2. Eligibility of the QRMP Scheme –

A registered person who is required to furnish a return in FORM GSTR-3B having an aggregate turnover of up to 5 crore rupees in the preceding financial year, is eligible for the QRMP Scheme (**Notification No. 84/2020- Central Tax, dated 10th Nov, 2020**). This new Scheme will be effective from 1st January, 2021.

It is clarified by CBIC that the aggregate annual turnover for the preceding financial year shall be calculated in the common portal taking into account the details furnished in the returns by the taxpayer for the tax periods in the preceding financial year.

Further, in case the aggregate turnover exceeds 5 crore rupees during any quarter in the current financial year, the registered person shall not be eligible for the Scheme from the next quarter.

3. **Option to avail QRMP Scheme –**

a. **Mode and timeline for availing the Option:**

The Facility to avail the QRMP Scheme shall be available throughout the year. The said facility may be availed on common portal (www.gst.gov.in). In terms of rule 61A of the Central Goods and Services Tax Rules, 2017 (hereinafter referred as CGST Rules), a registered person can opt in for any quarter from **first day of second month of preceding quarter** to **the last day of the first month of the quarter**. In order to exercise this option, the registered person must have furnished the last return, as due on the date of exercising such option.

For example: A registered person intending to avail of the Scheme for the quarter ‘Jan to March’ can exercise his option during 1st of October to 31st of December.

If he is exercising his option on 27th December for the quarter (Jan to March), in such case, he must have furnished the return for the month of December which was due on 22/24th January.

b. **Whether to choose option each Quarter:**

Registered persons **are not required to exercise the option every quarter**. Where such option has been exercised once, they shall continue to furnish the return as per the selected option for future tax periods, **unless they revise the said option**.

c. **Selection of option for Jan to Mar 2021 –**

For the first quarter of the Scheme i.e. for the **quarter January, 2021 to March, 2021**, in order to facilitate the taxpayers, it has been decided that all the registered persons, whose aggregate turnover for the FY 2019-20 is up to 5 crore rupees and who have furnished the return in FORM GSTR-3B for the month of October, 2020 by 30th November, 2020, shall be migrated on the common portal as below.

Therefore, taxpayers are advised to furnish the return of October, 2020 in time so as to be eligible for default migration.

The taxpayers who have not filed their return for October, 2020 **on or before 30th November, 2020** will not be migrated to the Scheme. They will be able to opt for the Scheme once the FORM GSTR-3B as due on the date of exercising option has been filed.

Class of Registered Persons	Deemed Option
Registered persons having aggregate turnover of up to Rs 1.5 crore, who have furnished FORM GSTR1 on <u>quarterly basis</u> in the current financial year	Quarterly Return
Registered persons having aggregate turnover of up to Rs 1.5 crore, who have furnished FORM GSTR1 on <u>monthly basis</u> in the current financial year	Monthly Return
Registered persons having aggregate turnover more than 1.5 crore rupees and up to 5 crore rupees in the preceding financial year	Quarterly Return

d. Change in default option for Quarter Jan to Mar 2021:

The default option as enumerated above has been made available for the convenience of registered persons based on their anticipated behavior. However, such registered persons are **free to change the option**. The option may be changed from 5th of December, 2020 to 31st of January, 2021.

e. Newly registered taxpayers or Opting out of paying tax under Composition Scheme to Regular Scheme:

All persons who have obtained **registration during any quarter** or the **registered persons opting out from paying tax under Section 10** of the CGST Act during any quarter shall be able to opt for the Scheme for the quarter for which the opting facility is available on the date of exercising option.

f. Crossing aggregate turnover crossing Rs 5 crores during the Quarter:

Any registered person, whose aggregate turnover crosses 5 crore rupees during a quarter in current financial year, shall opt for furnishing of return on a monthly basis on the common portal, from the succeeding quarter. In other words, in case the aggregate turnover exceeds 5 crore rupees during any quarter in the current financial year, the registered person **shall not be eligible for the Scheme from the next quarter**.

g. Whether option available for PAN or each GSTIN:

It is further clarified that the option to avail the QRMP Scheme is **GSTIN wise** and therefore, distinct persons as defined in Section 25 of the CGST Act (different GSTINs on same PAN) have the option to avail the QRMP Scheme **for one or more GSTINs**. In other words, some **GSTINs for that PAN can opt for the QRMP Scheme and remaining GSTINs may not opt for the Scheme**.

4. Furnishing of details of outward supplies:

a. The registered persons opting for the Scheme would be required to furnish the details of outward supply in FORM GSTR-1 **quarterly**

b. Invoice Furnishing Facility (IFF)

For each of the **first and second months of a quarter**, the taxpayer shall have facility **(Invoice Furnishing Facility - IFF)** to furnish the details of such outward supplies, between the **1st day of the succeeding month till the 13th day of the succeeding month**. The said details of outward supplies shall, however, not exceed the **value of fifty lakh rupees in each month**. The facility for furnishing IFF for previous month would not be available after 13th of the month.

As a facilitation measure, continuous upload of invoices would also be provided for the registered persons wherein they can save the invoices in IFF from the 1st day of the month till 13th day of the succeeding month.

The facility of furnishing details of invoices in IFF has been provided so as to allow details of such supplies to be duly reflected in the FORM GSTR-2A and FORM GSTR-2B of the concerned recipient.

For example, a registered person who has availed the Scheme wishes to declare two invoices out of the total ten invoices issued in the first month of quarter since the recipient of supplies covered by those two invoices desires to avail ITC in that month itself.

Details of these two invoices may be furnished using IFF. The details of the remaining 8 invoices shall be furnished in FORM GSTR-1 of the said quarter. The two invoices furnished in IFF shall be reflected in FORM GSTR-2B of the concerned recipient of the first month of the quarter and remaining eight invoices furnished in FORM GSTR-1 shall be reflected in FORM GSTR-2B of the concerned recipient of the last month of the quarter. The said facility would however be available, say for the month of July, from 1st August till 13th August. Similarly, for the month of August, the said facility will be available from 1st September till 13th September.

c. Invoice Furnishing Facility (IFF) Optional and not Mandatory

It is important to note that the said facility is **not mandatory** and is **only an optional facility** made available to the registered persons under the QRMP Scheme.

d. Once Invoice reported in IFF need not be reported again in GSTR 1 -

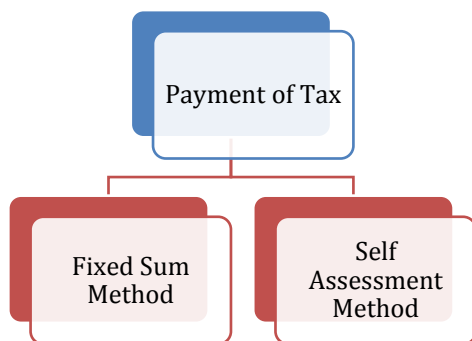
The details of invoices furnished using the said facility in the first two months **are not required to be furnished again in FORM GSTR-1**. Accordingly, the details of outward supplies made by such a registered person during a quarter shall consist of details of invoices furnished using IFF for each of the first two months and the details of invoices furnished in FORM GSTR-1 for the quarter. **At his option, a registered person may choose to furnish the details of outward supplies made during a quarter in FORM GSTR-1 only, without using the IFF.**

5. Monthly Payment of Tax in Form GST PMT - 06:

a. Monthly Payment of Tax:

The registered person under the QRMP Scheme would be required to pay the tax due in each of the first two months of the quarter by depositing the due amount in FORM GST PMT-06, by the **twenty fifth day** of the month succeeding such month. While generating the challan, taxpayers should select “Monthly payment for quarterly taxpayer” as reason for generating the challan.

b. Options for payment of Tax:



I. Fixed Sum Method:

A facility is being made available on the portal for generating a **pre-filled challan in FORM GST PMT-06** for an amount equal to **thirty five per cent.** of the **tax paid in cash in the preceding quarter** where the return was furnished quarterly; or equal to the tax paid in cash in the last month of the immediately preceding quarter where the return was furnished monthly.

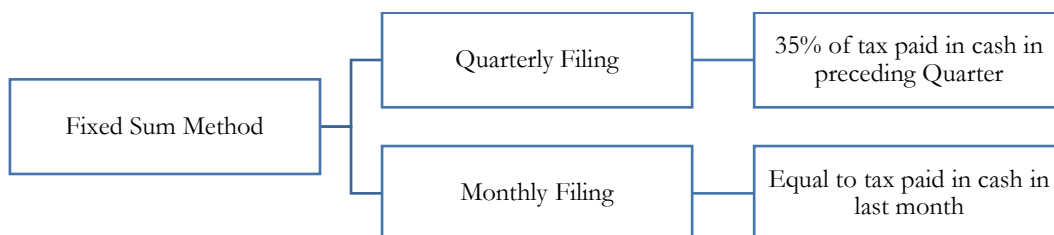


Illustration:

1. In case the last return filed was on **quarterly basis for Quarter Ending March, 2021:**

a. Tax paid in Cash in Quarter (January- March, 2021)

Tax Type	Amount (in Rs)
CGST	1,00,000
SGST	1,00,000
IGST	2,00,000
Cess	1,00,000

b. Tax to be actually paid in Cash in each month of April and May 2021 -

Tax Type	Amount (in Rs)
CGST	35,000
SGST	35,000
IGST	70,000
Cess	35,000

- Note – Tax to be paid at 35% of tax actually paid in cash in preceding Quarter

2. In case the last return filed was on **Monthly basis for the tax period March, 2021:**

a. Tax paid in Cash in March, 2021

Tax Type	Amount (in Rs)
CGST	20,000
SGST	20,000
IGST	10,000
Cess	NIL

b. Tax to be actually paid in Cash in each month of April and May 2021 -

Tax Type	Amount (in Rs)
CGST	20,000
SGST	20,000
IGST	10,000
Cess	NIL

- Note –Tax is to be paid equal to tax actually paid in cash in last month

Monthly tax payment through this method would not be available to those registered persons who have not furnished the return for a complete tax period preceding such month.

II. Self-Assessment Method -

Tax payable under Self-assessment method can be paid by taxpayers by considering the tax liability on inward and outward supplies and the input tax credit available, in FORM GST PMT-06. In order to facilitate ascertainment of the ITC available for the month, an **auto-drafted input tax credit statement has been made available in FORM GSTR-2B**, for every month.

a. Taxpayers free to select any of the above two Options:

The registered person is free to avail either of the two tax payment method (i.e. Fixed Sum method or Self-Assessment method) in any of the two months of the quarter.

b. Not to deposit any amount in case of adequate balance in Electronic Cash ledger or credit ledger:

In case the balance in the **electronic cash ledger and/or electronic credit ledger is adequate** for the tax due for the first month of the quarter or where there is **nil tax liability**, the registered person may not deposit any amount for the said month. Again, for the second month of the quarter, in case the balance in the electronic cash ledger and/or electronic credit ledger is adequate for the **cumulative tax due for the first and the second month of the quarter** or where there is nil tax liability, the registered person **may not deposit any amount**.

c. Refund of excess deposit:

Any **claim of refund** in respect of the amount deposited for the first two months of a quarter for payment of tax shall be permitted **only after the return in FORM GSTR-3B for the said quarter has been furnished**. The said deposit cannot be used by the taxpayer for any other purpose till the filing of return for the quarter.

6. Quarterly filing of Form GSTR 3B -

Such taxpayers would be required to furnish FORM GSTR-3B, for each quarter, on or before **22nd or 24th day of the month succeeding such quarter**. FORMGSTR-3B shall contain details of the supplies made, ITC availed during the quarter and all other details required to be furnished therein. The amount deposited by the registered person in the first two months shall be **debited solely for the purposes of offsetting the liability furnished** in that quarter's FORM GSTR-3B. However, any amount left after filing of that quarter's FORM GSTR-3B may either be **claimed as refund or may be used for any other purpose in subsequent quarters**.

a. Cancellation of registration during the Quarter:

In case of cancellation of registration **during any of the first two months of the quarter**, he is still required to furnish return in FORM GSTR-3B for the relevant tax period.

7. Payment of Interest:

A. Payment of tax by opting Fixed Sum Method:

No interest would be payable in case the tax due is paid in the first two months of the quarter by way of depositing auto-calculated fixed sum amount by the due date. If while furnishing return in FORM GSTR-3B, it is found that in any or both of the first two months of the quarter, **the tax liability net of available credit on the supplies made /received was higher than the amount paid in challan**, then, no interest would be charged provided they deposit system calculated amount for each of the first two months and discharge their entire liability for the quarter in the **FORM GSTR-3B of the quarter by the due date**.

Interest payable in case of delay in making payment:

In case such payment of tax by depositing the system calculated amount in **FORM GST PMT-06 is not done by due date**, interest would be payable at the applicable rate, from the **due date** of furnishing FORM GST PMT-06 till the **date of making such payment**.

In case FORM GSTR-3B for the quarter is furnished **beyond the due date, interest would be payable** as per the provisions of Section 50 of the CGST Act for the tax liability net of ITC. Interest shall be payable on tax liability to be discharged on net tax liability to be discharged through cash.

Example 1 -

A registered person, who has opted for the Scheme under Fixed Sum Method, had paid a total amount of Rs. 1,00,000/- in cash as tax liability in the previous quarter of October to December. He therefore pays Rs. 35,000/- each on 25th February and 25th March for discharging tax liability for the first two months of quarter viz. January and February. In his return for the quarter, it is found that liability, based on the outward and inward supplies, for January was Rs. 40,000/- and for February it was Rs. 42,000/-.

No interest would be payable for the lesser amount of tax (i.e. Rs. 5,000 and Rs. 7,000 respectively) discharged in these two months provided that he discharges his entire liability for the quarter in the FORM GSTR-3B of the quarter by the due date.

Example 2 -

A registered person, who has opted for the Fixed Sum Scheme, had paid a total amount of Rs. 1,00,000/- in cash as tax liability in the previous quarter of October to December. He therefore pays Rs. 35,000/- each on 25th February and 25th March for discharging tax liability for the first two months of quarter viz. January and February. In his return for the quarter, it is found that total liability for the quarter net of available credit was Rs. 1,25,000 but he files the return on 30th April.

Interest would be payable at applicable rate on Rs. 55,000 [Rs. 1,25,000 – Rs. 70,000 (deposit made in cash ledger in Month 1 and Month 2)] for the period between due date of quarterly GSTR 3B (22nd or 24th) and 30th April

B. Payment of tax by Opting Self-Assessment Method:

Interest amount would be payable as per the provision of Section 50 of the CGST Act for tax or any part thereof (net of ITC) which remains **unpaid / paid beyond the due date for the first two months of the quarter.** Interest to be paid through Form GSTR 3B.

8. Payment of Late Fees:

Late fee is applicable for delay in furnishing of return /details of outward supply. As per the Scheme, the requirement to furnish the return is quarterly. Hence, **late fee would be the applicable for delay in furnishing of the said quarterly return / details of outward supply.** It is clarified that **no late fee is applicable for delay in payment of tax in first two months of the quarter.**

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