

FILING OF ANNUAL RETURNS BY COMPOSITION TAXPAYERS - NEGATIVE LIABILITY IN GSTR-4

Negative Liability in GSTR-4

Instances have come to notice where taxpayers are reporting negative liability appearing in their GSTR-4.

Background: Since FY 2019-20, composition taxpayers has to pay the liability through Form GST CMP-08 on quarterly basis while GSTR-4 Return is required to be filed on annual basis after end of a financial year.

Reason of Negative Liability in GSTR4: The liability of the complete year is required to be declared in GSTR-4 under applicable tax rates. Taxpayers should fill up table 6 of GSTR-4 mandatorily. In case, there is no liability, the said table may be filled up with '0' value. If no liability is declared in table 6, it is presumed that no liability is required to be paid, even though, taxpayer may have paid the liability through Form GST CMP-08. In such cases, liability paid through GST CMP-08 becomes excess tax paid and moves to Negative Liability Statement for utilization of same for subsequent tax period's liability.

What the taxpayer did wrongly: Liability paid through Form GST CMP-08 is auto-populated in table 5 of the GSTR-4 for convenience of the taxpayers. Taxpayers who do not fill up table 6 of GSTR-4 i.e. no liability is declared, even though, taxpayer may have paid the liability through Form GST CMP-08; since the 'Tax payable' in GSTR-4 is computed after reducing the liability declared in GST CMP-08 and then auto-populated in table 5. Thus, if nothing is declared in table 6, then the negative liability entry appears in GSTR-4.

How to proceed in case of negative liability: If table 6 of GSTR-4 has not been filled due to oversight, a ticket may be raised to nullify the amount available in negative liability statement. If there is no liability to be paid during the year, the liability paid through Form GST CMP-08 shall move to negative liability statement and the same excess amount can be utilised to pay the liability of future tax periods.

Negative Liability Issues in GST CMP 08 on GST Portal

There are many Taxpayers who are facing issues and are not able to furnish the return and create the challans because of the negative liability in GST CMP 08 on GSTN Portal.

Meaning of Negative Liability

Negative Liability means in case of any negative entry in the present quarter that shall be carried forward to the next quarter.

The Details of Sales & Purchase under Reverse Charge [RCM] to be reported in CMP-08 and GSTR-4 must be on-net basis after making certain adjustments if any. The gross values should be adjusted for any advances received credit and debit notes, as well as any subsequent amendments due to rectifications in invoices. The relevant tables for reporting in this manner are Table 5 and Table 6 of GSTR-4 and Table 3 of CMP-08. Due to this sometimes we may have negative figures where the net value becomes negative and thus tax payment becomes negative.

In case of a negative liability in any tax period of a composition taxpayer (and if no amount is required to be paid by the taxpayer (during that period)), the said negative liability will be maintained in the Negative liability

statement. This negative balance lying in the negative liability statement will be automatically adjusted against the liabilities of the subsequent tax period(s).

For e.g. for filing GST CMP-08 for quarter Apr-Jun 2019, negative values from last quarter Jan-Mar 2019 of GSTR-4 will be adjusted and shown in this column.

What Problem Taxpayers are Facing?

If you have filed GSTR-4 for FY 2020-21 you were required to give details in Table 6 of Form GSTR-4. But many taxpayers have simply filled Table 5 [Summary of self-assessed liability as per FORM GST CMP-08] and Paid Tax as per Table 8 [Tax, interest, late fee payable, and paid]. But if you have not filled table 6, GSTN has considered the same as a negative liability to be carried forward to subsequent periods.

Now as a result Taxpayers are getting negative liability of Last year in CMP-08 of Q1 of FY 2021-22 and the same is being offset from Tax Liability of this year.

How to Rectify Negative Liability in CMP-08?

Please note that there is no means to revise GSTR-4 or CMP-08 for those who have already filed GSTR-4. Those who have still not file GSTR-4 should be careful in terms of filing the Data so that this situation does not arise.

For those who have filed GSTR-4, one of the following can be done:

1. Make Payment of Deficit Tax Paid due to negative liability in DRC-03.
 - A. Choose FY 2021-22 and choose "other" tab as a reason
 - B. Taxpayers should also inform the GST Officer in Remarks Tab, the reason for making Payment in DRC - 03 is due to "Negative Liability in CMP-08"
2. Make a payment of Excess Tax through cash ledger. Additionally, a written reason should be submitted to AO for making the Excess Payment.
3. One may choose to increase the Turnover so as to nullify the effect.