

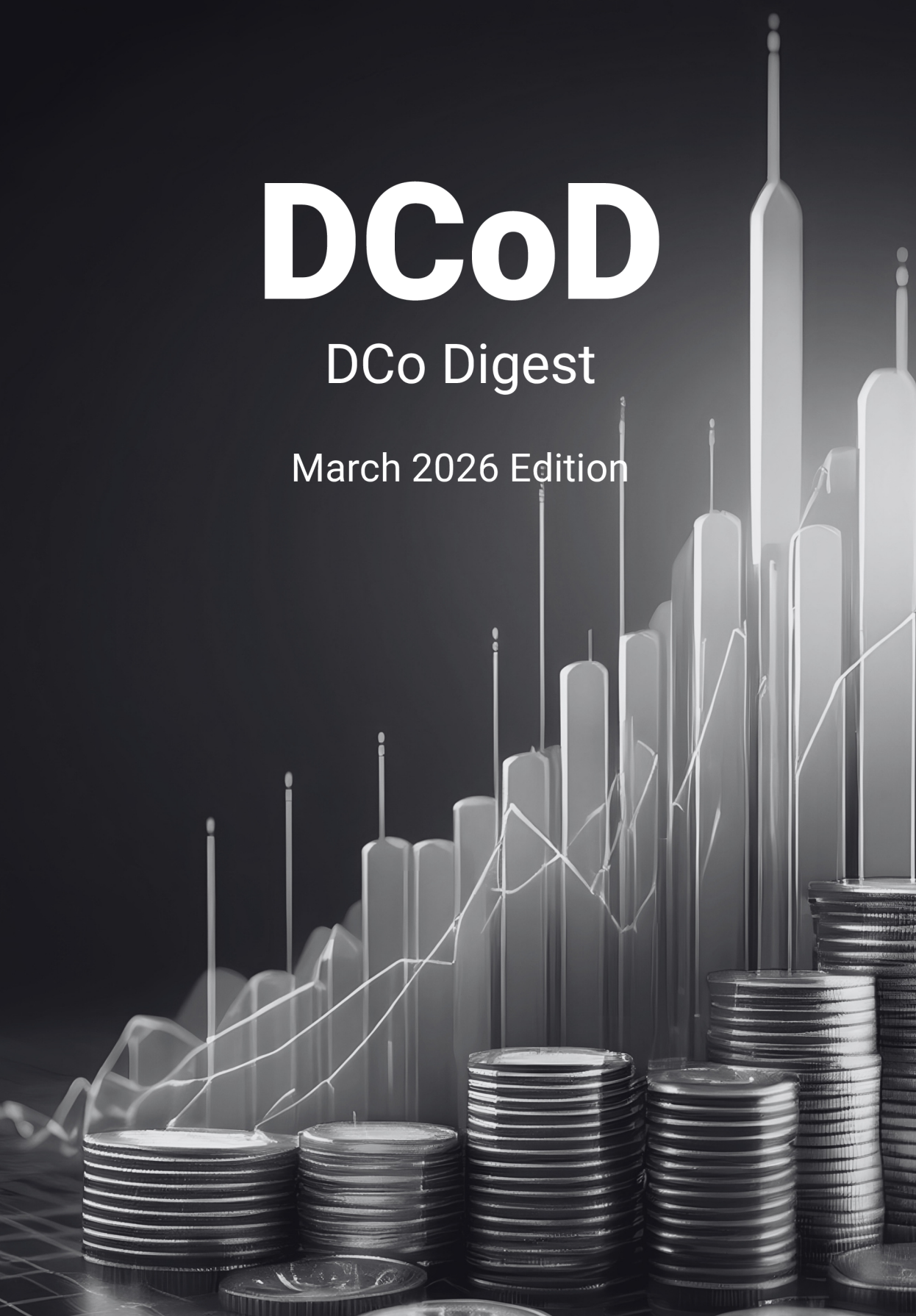


Dhadda & Co  
CHARTERED ACCOUNTANTS

# DCoD

DCo Digest

March 2026 Edition



**Newsletter**



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Welcome to the latest edition of the DCo Digest. As the GST landscape continues to evolve through Regulatory Updates, Portal Enhancements and Judicial Developments staying informed remains essential for Businesses and Professionals.

This edition provides a thorough overview of key updates to the GST portal, encompassing modifications in GSTR-3B reporting, adjustments related to appeal payments, revised ITC and RCM validations, as well as system-driven compliance requirements. It also highlights the important year end GST action points for FY 25-26.

This edition also examines important rulings that provide clarity on key GST issues, including the employment arrangements and scope of personal liability under law. These insights are intended to help readers better understand the evolving legal positions, assess the risks and strengthen their compliance framework.

# Preface



# GST Update - Critical Activities to be Taken Care of at Year End FY 25-26

As the financial year 2025-2026 has come to an end. It becomes crucial for taxpayers to evaluate the GST implications on various transactions to ensure accurate compliance and avoid potential disputes or litigation in future. In this regard, we have compiled certain key areas which require attention from a GST perspective for FY 2025-26.

Updates

## **A. AVAILING OF CORRECT INPUT TAX CREDIT FOR FY 2025-26:**

### **1. BOOKS V/S GSTR-3B RECONCILIATION:**

Taxpayers are advised to undertake a comprehensive reconciliation of Input Tax Credit (ITC) as per books of accounts vis-à-vis ITC claimed in GSTR-3B for the financial year 2025-26. Any discrepancies identified during such reconciliation should be appropriately rectified either in the return for March 2026 or in subsequent returns up to 30th November 2026, or alternatively through Form DRC-03, as applicable.

### **2. ITC NOT REFLECTING IN GSTR-2B:**

A detailed analysis should be carried out for invoices where ITC has been recorded in the books but is not reflecting in GSTR-2B. In such cases, necessary follow-ups should be made with vendors for timely filing or correction of their returns. It is pertinent to note that ITC in respect of such invoices can only be availed up to 30th November 2026 in accordance with Section 16(4) of the CGST Act.

### **3. ITC CLAIMED BUT INVOICE NOT RECORDED IN BOOKS:**

Taxpayers should also review cases where ITC has been claimed earlier but corresponding invoices were not recorded in the books, resulting in reversal of such ITC. Proper tracking mechanisms should be in place to ensure that such ITC is re-availed upon recording of invoices within the permissible time limit.

### **4. REVERSAL OF ITC U/S 17(5) (BLOCKED CREDIT):**

It is essential to identify ineligible ITC as per Section 17(5) of the CGST Act and reverse the same to avoid future disputes. In cases where such ineligible ITC has already been utilized, the same should be reversed along with applicable interest at 18% per annum.

### **5. REVERSAL OF ITC UNDER RULE 42/43:**

Taxpayers should recompute ITC reversals in accordance with Rule 42 and Rule 43 of the CGST Rules, particularly in cases involving both taxable and exempt supplies. For this purpose, exempt supplies shall include non-GST supplies, nil-rated supplies, supplies on which tax is payable under reverse charge, and transactions in securities (to the extent prescribed).

### **6. CREDITOR AGEING (RULE 37):**

A review of creditor ageing should be conducted to identify cases where payments to suppliers have not been made within 180 days from the date of invoice. In such cases, ITC is required to be reversed along with interest, though the same may be re-availed upon subsequent payment to the supplier.

## **7. NON-FILING OF GSTR-3B BY SUPPLIERS (RULE 37A):**

Taxpayers should identify instances where ITC has been availed but the corresponding suppliers have not filed their GSTR-3B returns. Necessary follow-ups should be undertaken to ensure compliance by such vendors, as non-payment of tax by the supplier may impact ITC eligibility.

## **8. E-INVOICING COMPLIANCE:**

It is advisable to verify whether suppliers liable for e-invoicing have duly generated Invoice Reference Numbers (IRN). ITC availed on invoices where e-invoicing provisions are not complied with may be disputed by the department.

## **9. CANCELLATION OF SUPPLIER'S GSTIN:**

The status of supplier gstins should be verified to ensure that ITC is not claimed from vendors whose registrations have been cancelled. Appropriate action should be taken in such cases.

## **B. REPORTING OF CORRECT OUTWARD SUPPLIES FOR FY 2025-26:**

### **1. BOOKS V/S GSTR-1 V/S GSTR-3B RECONCILIATION:**

Taxpayers should undertake an invoice-level reconciliation of outward supplies as per books of accounts with GSTR-1 and GSTR-3B returns filed during the year. Any discrepancies identified should be rectified through amendments in subsequent returns within the prescribed time limits up to October 2026.

### **2. ISSUANCE OF CREDIT NOTES:**

Timely issuance of credit notes in respect of transactions pertaining to FY 2025-26 should be ensured, and such credit notes must be declared on or before 30th October 2026. It is also advisable to obtain confirmation from recipients regarding reversal of corresponding ITC or the recipient must have accepted the Credit Note through Invoice Management System (IMS).

### **3. E-WAY BILL RECONCILIATION:**

Reconciliation of E-way bills with outward supplies reported in GSTR-1 should be carried out to identify any unreported or mismatched transactions.

### **4. SHIPPING BILL RECONCILIATION:**

In case of exports, shipping bill details should be reconciled with GSTR-1 to ensure smooth processing of refund claims.

## **5. MATERIAL SENT FOR JOB WORK:**

Taxpayers dealing with job work transactions should verify that goods sent for job work have been returned within the prescribed time limits (inputs within 1 year and capital goods within 3 years) and have been duly reported in Form ITC-04.

## **6. GOODS SENT ON APPROVAL BASIS:**

Goods sent on approval basis should either be returned or invoiced within six months in compliance with GST provisions.

## **7. ADJUSTMENT OF ADVANCES:**

Proper adjustment of GST paid on advances received, particularly in case of services, should be ensured in the respective GST returns.

## **C. REVERSE CHARGE MECHANISM (RCM):**

### **1. REVIEW OF RCM LIABILITY:**

A thorough review of all transactions should be conducted to determine applicability of Reverse Charge Mechanism (RCM). Any unpaid RCM liability as on year-end should be discharged along with applicable interest, and corresponding ITC may be availed wherever eligible. RCM liability reflecting in GSTR 2B/2A whereas not accounted for in the books shall be assessed and discharged accordingly.

### **2. KEY RCM APPLICABLE TRANSACTIONS:**

Particular attention should be given to transactions such as purchase of metal scrap from unregistered persons, renting of residential dwelling by a registered person, renting of immovable property from unregistered persons, import of services, and sponsorship services provided by non-body corporates, as these may attract RCM provisions.

## **D. OTHER IMPORTANT YEAR-END COMPLIANCES:**

### **1. LETTER OF UNDERTAKING (LUT):**

Exporters making zero-rated supplies without payment of tax should ensure timely renewal of LUT for FY 2026-27 before 31st March 2026.

### **2. IMPLEMENTATION OF NEW INVOICE SERIES:**

It is advisable to initiate a new invoice series from 1st April 2026 for better record management and compliance.

### **3. REASSESSMENT OF AGGREGATE TURNOVER:**

Taxpayers should reassess their aggregate turnover to evaluate applicability of various GST provisions such as registration requirements, QRMP scheme, e-invoicing, and filing of annual returns.

#### 4. FILING OF ITC-03:

In case of transition to the composition scheme, Form ITC-03 should be filed within the prescribed time limit.

#### 5. QRMP SCHEME OPTION:

Taxpayers opting in or out of the QRMP scheme should exercise such option on or before 30th April 2026.

#### 6. ISD COMPLIANCE:

In light of the amendments introduced by the Finance Act, 2024, taxpayers having multiple GST registrations under the same PAN should ensure obtaining ISD registration and proper distribution of common ITC.

#### 7. GST REGISTRATION UPDATES:

Taxpayers should verify that all amendments relating to business details, additional places of business, and changes in directors or partners are duly updated on the GST portal.

### E. Change In Taxability of Intermediary Services

An important amendment has been introduced through the Finance Act, 2026, which impacts businesses dealing intermediary / commission / agency services, whether provided to foreign clients or received from overseas entities. As this change is effective from 30th March 2026, timely action is important.

**Earlier**, intermediary services were taxed based on the location of the service provider, which meant Indian businesses providing such services to foreign clients were still liable to GST (typically 18%), without export benefits. This position had been under dispute for quite some time.

**Now**, the law has been amended to shift the place of supply to the location of the service recipient, which changes the tax treatment significantly.

#### Key aspects

##### If intermediary services are provided to foreign clients:

- Services may now qualify as export of services (zero-rated)
- Taxpayer can supply under LUT without charging GST and claim refund of ITC
- Alternatively, taxpayer may pay IGST and claim refund
- GST @ 18% should not be charged going forward
- Ensure LUT for FY 2026-27 is in place and evaluate refund eligibility

# Updates



## **If intermediary services are received from foreign entities:**

- These will now be treated as import of services
- GST @ 18% will apply under Reverse Charge Mechanism (RCM)
- The liability to pay GST shifts to taxpayer as the recipient
- ITC may be available, subject to eligibility
- It would be advisable to review contracts with foreign vendors, as costs may change

Compiled by CA Shreyansh Jain

# Judicial Pronouncements

**CASE 1: AMIT MANILAL HARIA vs JOINT COMMISSIONER, CGST & CENTRAL EXCISE (2026) 40 CENTAX 100 [Bombay HC: Writ Petition No. 5001/2026]**

## **Issue:**

Whether penalty under Section 122(1A) of the CGST Act can be imposed retrospectively for a period prior to 01.01.2021, and whether directors/officers of a company (not being taxable persons) can be subjected to penalty under the said provision?

## **Facts:**

The M/s Shemaroo Entertainment Ltd. (herein after called as "the Company"), a duly incorporated under the provisions of the Companies Act, 1956, having its principal place of business at Marol Naka, Andheri (East), Mumbai.

M/s Shemaroo Entertainment Ltd. (herein after called as "the Company") a company incorporated under the Companies Act, 1956, was subjected to investigation on allegations of fake invoicing and wrongful availment/passing of Input Tax Credit (ITC). During the course of investigation, summons were issued to its directors and officers (herein after called "Petitioners"), and their statements were recorded.

Subsequently, separate show cause notices were issued to the petitioners, proposing imposition of penalty under Section 122(1A) of the CGST Act for the period FY 2017–18 to FY 2021–22. After that, an order dated 01.02.2025 was passed imposing a penalty of approximately ₹133 crores each on the petitioners.

Aggrieved by the imposition of such personal penalties, the petitioners approached the Hon'ble High Court challenging the legality and jurisdiction of the proceedings.

## **Submissions of the parties**

The Petitioners contended that they were merely employees/officers of the company and not "taxable persons" under the CGST Act. Section 122(1A) applies only to a "taxable person" as defined under Section 2(107), and not to a "person" under Section 2(84).

The Petitioners further submitted that Section 122(1A) of the CGST Act was introduced with effect from 01.01.2021 and is purely prospective in operation. Being a penal provision, it cannot be applied retrospectively to transactions undertaken prior to its enactment, in view of the settled principle of law and the mandate of Article 20(1) of the Constitution of India. Therefore, no penalty under Section 122(1A) can be imposed for any period prior to 01.01.2021, and the impugned action of the Department seeking to levy penalty for earlier periods is wholly without jurisdiction and liable to be set aside.

The Respondent argued that Section 122(1A) uses the expression "any person" and is wide enough to include company officers. Further, alleged that petitioners were actively involved in orchestrating fraudulent transactions and wrongful ITC. The respondent further contended that since the provision was in force at the time of issuance of SCN, its invocation was valid not barred.

## Analysis:

### **-Applicability of Section 122(1A) to Taxable Person:**

The Court held that on a conjoint reading of Sections 122(1) and 122(1A), the provision applies only to a “taxable person”. Since the petitioners were employees and not registered taxable persons in their individual capacity, proceedings against them were not maintainable.

### **-Jurisdictional requirements not satisfied:**

The Court observed that Section 122(1A) requires:

- (i) retention of benefit from the transaction, and
- (ii) that the transaction was conducted at the instance of such person.

In the present case, there was no finding that the petitioners retained any benefit. Hence, jurisdictional conditions were not fulfilled.

### **-Scope of Section 122(1A):**

The Court clarified that neither Section 122 nor Section 137 incorporates vicarious liability to impose penalty on employees merely due to their designation or role in the company.

### **-Retrospective Application:**

It was noted by Court that Section 122(1A) was introduced w.e.f. 01.01.2021. In view of this, the Court held that it cannot be applied retrospectively to periods prior to its enactment, in view of Article 20(1) of the Constitution of India.

In view of the foregoing, the Hon'ble Court held that the impugned order imposing penalty on the petitioners is illegal, unsustainable in law, and without jurisdiction, and accordingly liable to be set aside.

## DCO Experts

- This judgment is a landmark ruling on the limits of personal liability under GST. It reinforces that liability primarily rests with the taxable person (i.e., the company) and cannot be extended to employees/directors without clear statutory authority and evidence of personal benefit.

- The ruling also strengthens safeguards against arbitrary invocation of penal provisions and upholds constitutional protection against retrospective penal action.

Compiled by Advocate Shresth Mittal

Reviewed by CA Divya Gupta

**CASE 2: HUAWEI TECHNOLOGIES INDIA PVT. LTD. VS. STATE OF KARNATAKA (2026) 39 CENTAX 336 (KARNATAKA) [05-12-2025] [Karnataka HC: WRIT PETITION NO. 2848 of 2024]**

### **Issue:**

Whether salaries paid by an Indian company (Huawei India) to its foreign national employees can be treated as “import of manpower recruitment or supply services” and thereby be liable to IGST under the Reverse Charge Mechanism (RCM)?

### **Facts:**

The M/s Huawei Technologies India Pvt. Ltd. (herein after called “The Petitioner”), is a part of the Huawei Group headquartered in China and operates through various group entities across the globe. The Petitioner is, inter alia, engaged in providing Software Development Services and Information Technology Enabled Services to its group companies both in India and overseas. In the course of its business operations, the Petitioner employed foreign nationals directly for rendering software development and IT-enabled services within the organization.

The Department issued a show cause notice proposing levy of IGST on the salaries paid to such foreign nationals, alleging that the same constituted import of “Manpower Recruitment and Supply Services” from non-resident taxable persons and is liable to tax under the Reverse Charge Mechanism. In view of the above dispute, the matter was placed before the Hon’ble High Court.

### **Submissions of the parties**

The Petitioner contended that there exists a clear and direct employer-employee relationship between the Petitioner and the foreign nationals, who were employed for a fixed duration under contractual employment terms. It was submitted that the services rendered by employees to the employer in the course of employment are neither treated as supply nor liable to GST in terms of Schedule III of the CGST Act. Accordingly, salaries paid to such employees fall outside the ambit of GST.

### **Analysis:**

Rejecting the contention of Respondent, the Court noted that the expatriate employees were working under valid employment contracts with the petitioner and operated under its supervision and control in India. Further, their salaries were paid as employment income, with applicable income tax deductions made in India, clearly establishing the existence of an employer-employee relationship.

Referring to Entry 1 of Schedule III of the CGST Act, the Court reiterated that services rendered by an employee to an employer in the course of employment are treated neither as supply of goods nor supply of services. Therefore, GST liability cannot arise. The Court further clarified that expatriate employees residing and working in India cannot be

categorized as non-resident taxable persons. Accordingly, the demand of IGST, interest and penalty was set aside and the writ petition was allowed.

The Hon’ble Court further observed that the Petitioner’s contention is duly supported by the clarification issued by the Central Board of Indirect Taxes and Customs vide Circular No. 210/4/2024-GST dated 26.06.2024. The said circular clarifies that in cases involving supply between related parties, where the recipient is eligible for full input tax credit, the taxable value shall be the open market value, which may be taken as the value declared in the invoice. It is further clarified that in cases where no invoice is issued, the open market value shall be deemed to be ‘Nil’. Applying the said clarification to the facts of the present case, the Court noted that since no invoice was raised by the Petitioner for the alleged supply, the value of such supply shall be treated as ‘Nil’, and consequently, no GST liability would arise for the relevant period.

### **DCO Experts**

- This decision clearly confirms that an employer-employee relationship remains the same irrespective of whether the employee is an Indian national or a foreign national. Accordingly, salaries paid to such employees are not subject to GST, as they are covered under Schedule III of the CGST Act.
- The ruling also brings relief for businesses employing expatriates by clarifying that such salary payments cannot be treated as import of services to levy GST under reverse charge.
- Further, the reliance on CBIC Circular strengthens the position that even in disputed arrangements, absence of invoicing may result in Nil valuation, thereby mitigating tax exposure.

Compiled by Advocate Shresth Mittal  
Reviewed by CA Divya Gupta

# Expert's Insight



## Post-Sale Discount under GST: Legal Position and Changes Introduced in Union Budget 2026

### Introduction

Discounts are an integral part of commercial transactions and are widely used by businesses to promote sales, reward dealers, and maintain long-term trade relationships. Under the GST regime, the treatment of discounts directly affects the valuation of supply and the tax liability of the supplier.

A common issue faced by businesses relates to post-sale discounts, which are discounts granted after the supply of goods or services has already been completed. Over the years, the GST law imposed certain strict conditions for allowing deduction of such discounts from the taxable value. These conditions often created practical difficulties and resulted in litigation between taxpayers and the tax authorities.

Recognizing these challenges, the Government has introduced significant amendments in the Union Budget 2026 to simplify the treatment of post-sale discounts under the GST framework.

This article examines the concept of post-sale discounts under GST, the legal provisions governing them, the issues faced under the earlier regime, and the changes introduced through the recent budget.

### Legal Framework Governing Discounts under GST- Existing Provisions

Section 15 of the CGST Act, 2017 determines the value of supply. Section 15(3) specifically deals with the treatment of discounts, which reads as following:

15(3) *The value of the supply shall not include any discount which is given –*

*(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and*

*(b) after the supply has been effected, if –*

*(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and*

*(ii) input tax credit as is attributable to the discount on the basis of a document issued by the supplier has been reversed by the recipient of the supply.”*

Section 34 of the Act prescribes the conditions under which Credit Notes can be issued. Section 34 reads as follows:

*34. (1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.*

### **Treatment of Post-Sale Discounts Prior to Finance Act 2026**

Before the amendments introduced through the Union Budget 2026 (before 30-03-2026), post-sale discounts were allowed as deduction from the value of supply only if the following all conditions were fulfilled:

**a)Pre-existing Agreement** - The discount must have been established in terms of an agreement entered into at or before the time of supply.

**b)Linkage with Relevant Invoices-** The discount must be specifically linked to the invoices relating to the original supply.

**c) Reversal ITC** - The recipient of the supply must reverse the proportionate input tax credit attributable to the discount.

As per section 34, a credit note could be issued by a supplier only in the following situations:

a) When the taxable value or tax charged in tax invoice is found to exceed the taxable value or tax payable in respect of such supply,

b) When the goods are returned by the recipient; or

c) When the goods or services are found to be deficient.

It is interesting to note that section 34 did not address issuance of Credit notes in case of post-sale discounts which was in contradictory to section 15.

### **Practical Challenges Under the Existing Provisions**

While the objective of these provisions was to ensure tax compliance, the stringent conditions aroused several practical difficulties for businesses:

#### **Restricted Commercial Flexibility**

In many industries such as FMCG, Automobile dealerships, Electronics distribution, Pharmaceutical, supply chains discounts are determined after the sale has happened based on factors such as market conditions or dealer performance. The requirement of a prior agreement limited the ability of businesses to offer such commercially driven discounts.

#### **Difficulty in Invoice-Level Linkage**

Where discounts were based on overall turnover or cumulative sales targets, it was practically challenging to attribute such discounts to specific invoices.

#### **Rise in Litigation**

Tax authorities frequently disallow post-sale discounts that do not strictly comply with

prescribed conditions, resulting in increased disputes and litigation.

### **Non-allowance to issue Credit Notes u/s 34 for Discounts**

Though section 15(3)(b) allows deduction of post-sale discount from the value of supply, however section 34 does not address issuance of Credit notes in case of post-sale discounts. Contradiction in both the sections led to ambiguity and required clarity.

### **Amendments Introduced in Finance Act 2026 with effect from 30-03-2026**

In order to address these practical difficulties and align GST provisions with commercial practices, the Government has proposed amendments relating to post-sale discounts through the Union Budget 2026. Following has been proposed to be amended:

#### **Section 15(3)(b) shall be read as:**

*(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34.*

#### **Section 34(1) shall be read as:**

*34. (1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, or where a discount referred to in clause (b) of sub-section (3) of section 15 is given the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.*

The proposed amendments bring the following important change

### **Removal of Requirement for Prior Agreement**

The earlier requirement that the discount must be agreed upon at or before the time of supply has been relaxed. Businesses can now provide post-sale discounts even if they were not predetermined at the time of supply.

### **Relaxation of Invoice-Level Linking Requirement**

The requirement of linking the discount to specific invoices has also been simplified, particularly in cases where discounts are based on overall sales performance or turnover.

### **Adjustment Through Credit Notes**

Suppliers can now reduce the value of supply by issuing credit notes in accordance with Section 34 of the Act.

### **Mandatory ITC Reversal by the Recipient and Mechanism for Verification of ITC Reversal**

It is mandatory for the supplier to ensure that the recipient has reversed the proportionate input tax credit corresponding to the discount amount reflected in the credit note.

Earlier, to address this issue, Circular No. 212/6/2024-GST dated 26-06-2024 was issued by the CBIC. The circular prescribed a mechanism for suppliers to obtain evidence that the recipient had reversed the proportionate ITC in respect of credit notes issued for post-sale discounts, in terms of Section 15(3)(b)(ii) of the CGST Act, 2017.

As per the circular, since there was no system-based functionality available on the GST portal to verify such ITC reversal, suppliers were required to obtain a certificate confirming ITC reversal. However, the aforesaid circular was subsequently withdrawn vide Circular No. 253/10/2025-GST dated 01-10-2025. As a result, the earlier prescribed mechanism for verification of ITC reversal no longer holds validity.

In the absence of the circular, the practical methods currently available to suppliers to ensure ITC reversal are through the Invoice Management System (IMS), or by taking voluntary confirmation from the recipient that ITC has been reversed.

### **Conclusion**

Post-sale discounts are a common feature of modern business transactions and play an important role in strengthening supplier-dealer relationships. However, the earlier provisions under GST created significant compliance challenges due to strict requirements regarding prior agreements and invoice linkage.

The amendments proposed in the Union Budget 2026 represent a welcome step toward aligning GST law with practical business realities. By allowing greater flexibility in granting post-sale discounts while maintaining safeguards through credit notes and ITC reversals, the revised framework strikes a balanced approach between compliance and commercial practicality.

Written by Aadish Jain (Article Assistant)

Reviewed by CA Shefali Jain Bang

# Experts Insight





### **“Tax Liability Breakup, As Applicable” Tab in GSTR-3B (w.e.f. Feb 2026)**

Interest is payable u/s 50 when tax liability of a previous tax period is discharged in a subsequent period. To ensure the same, “Tax Liability Breakup, As Applicable” tab has been introduced in GSTR-3B which captures liabilities relating to earlier periods but paid in the current return.

The GST Portal now auto-populates this breakup based on document dates in GSTR-1/GSTR-1A / IFF, where supplies belong to previous periods.

The taxpayers after offsetting liability in GSTR-3B, taxpayers must:

- Review the auto-populated breakup
- Confirm by clicking “SAVE”, or
- Edit if required

GSTR-3B cannot be filed (EVC/DSC) unless this breakup is confirmed and saved.

### **DRC 3A to be filed to adjust payment of pre-deposit while filing of appeal before First Appellate authority**

Payments made through Form GST DRC-03 are not automatically linked to any specific Demand ID on the GST portal. As a result, such payments are not considered by the system while calculating the mandatory pre-deposit requirement. This may lead to a situation where taxpayers are required to pay the pre-deposit again despite having already discharged the amount through DRC-03.

To ensure that the payment is duly recognized, taxpayers must file Form GST DRC-03A to link the payment made through DRC-03 with the relevant demand order. Upon filing DRC-03A, the payment gets mapped to the corresponding Demand ID and is reflected in the Electronic Liability Register, thereby making it identifiable for system purposes.

# New on GST Portal

Accordingly, once the payment is properly linked, the GST portal will consider such amount while computing the pre-deposit, and no additional payment will be required. Taxpayers are therefore advised to file Form GST DRC-03A before proceeding further, wherever applicable

### **Facility for Withdrawal from Rule 14A**

Earlier Rule 14A was introduced to provide an optional, fast-track electronic registration mechanism for small taxpayers whose monthly output tax liability on supplies made to registered persons does not exceed ₹2.5 lakh (including GST)

The rule also lays down a structured withdrawal mechanism from this option, where a registered person may withdraw by filing FORM GST REG-32, subject to furnishing prescribed returns and provided no cancellation proceedings are pending.

To facilitate the same, GSTN has enabled a new online facility for eligible taxpayers to apply for withdrawal from the option available under Rule 14A of the CGST Rules by filing Form GST REG-32 on the GST Portal subject to prescribed conditions.

### **Interest Collection and Related Enhancements in GSTR-3B**

#### **Update in Interest Computation for GSTR-3B**

From the January 2026 tax period onwards, the interest computation in Table 5.1 of GSTR-3B has been updated to align with the proviso to Rule 88B(1) of the CGST Rules, 2017. The enhancement allows taxpayers to consider the minimum balance available in the Electronic Cash Ledger (ECL) from the due date of return filing till the date of tax payment (offset), thereby reducing the interest liability.

#### Revised Interest Computation Formula

*Interest = (Net Tax Liability – Minimum Cash Balance in ECL from due date to date of debit) × (No. of days delayed / 365) × Applicable Interest Rate*

#### **Collection of Interest in GSTR-10 for Delayed Filing of Last Applicable GSTR-3B**

In case of cancelled taxpayers, if the last applicable GSTR-3B return has been filed after the due date, then the interest applicable on such delayed filing shall be levied and collected through the Final Return i.e., GSTR-10.

## Filing Opt-In Declaration for Specified Premises, 2025 dated Jan 4th, 2026

Vide Notification No. 05/2025 – Central Tax (Rate), dated 16th January 2025, declarations are now made available electronically on the GST Portal. These declarations may be opted for and filed by persons who are applying for registration or are already registered and supplying hotel accommodation services by declaring the premises as “specified premises”.

## On Electronic Credit Reversal and Re-claimed Statement & RCM Liability/ITC Statement

Currently, taxpayers receive only a warning when excess ITC is reclaimed in Table 4(D)(1) beyond the available reversal balance, but filing of GSTR-3B is still permitted. However, the system is being updated to disallow negative values or excess ITC claims beyond the available balance in the relevant statements.

Under the revised validation, reclaimed ITC in Table 4(D)(1) must not exceed the total of the closing balance in the Electronic Credit Reversal and Reclaimed Statement along with ITC reversed in Table 4(B)(2) of the current period.

Similarly, ITC claimed under RCM in Tables 4(A)(2) and 4(A)(3) must not exceed the RCM liability paid in Table 3.1(d) plus the closing balance of the RCM Liability/ITC Statement.

Further, if a taxpayer has a negative balance in either of these statements, filing of GSTR-3B will be blocked. To proceed, the taxpayer must first reverse the excess ITC in Table 4(B)(2), failing which the amount will be added to the current liability. In case of negative RCM balance, the taxpayer must either pay additional RCM liability or reduce the ITC claimed accordingly in the current return period.

**Note: An Advisory dated 29-12-2025 has been issued; however, the corresponding functionality is yet to be made live on the portal.**

## Auto Suspension of GST Registration due to Non-Furnishing of Bank Account Details

As per Rule 10A, taxpayers (other than TDS, TCS, and suo-moto registrations) are required to furnish bank account details within 30 days of registration or before filing GSTR-1/IFF, whichever is earlier. Failure to comply within the prescribed time will result in automatic suspension of registration by the system.

# New on GST Portal



# New on GST Portal

## Table 3.2 of GSTR-3B – Non-Editable & Auto-Population Changes

Table 3.2 of GSTR-3B, which reflects inter-state supplies to unregistered persons, composition taxpayers, and UIN holders, is auto-populated from GSTR-1, GSTR-1A, and IFF. From the November 2025 tax period onwards, these auto-populated values have been made non-editable, and taxpayers are required to file GSTR-3B based on system-generated data only.

If any correction is required, the same must be carried out through Form GSTR-1A for the same tax period, which will automatically update the values in Table 3.2 before filing GSTR-3B. Additionally, amendments can also be made in subsequent periods through GSTR-1/IFF.

Since there is no cut-off date for filing GSTR-1A before GSTR-3B, taxpayers can make necessary corrections anytime after filing GSTR-1 and up to the filing of GSTR-3B. Accordingly, it is advisable to report accurate details in GSTR-1/IFF to avoid repeated amendments and ensure compliance.

Compiled by CA Sourabh Chippa



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# Thank You