CoralMetrix

Issue 04

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NEWSLETTER

In this newsletter you can expect:

Crack the Code

GST Compliance - Review and Roadmap for FY 2025–26

As we enter the new financial year, it is essential for every business owner to reflect on their operations—both from an internal standpoint and in relation to external stakeholders.

A comprehensive action plan should address two key dimensions: closing activities of the previous year and preparatory steps for the year ahead. These, in turn, can be further categorized into substantive (business-impacting) and procedural (compliance-driven) aspects. Let's delve into how these can be effectively managed.

In this article, we will explore the key GST compliance requirements and preparatory actions necessary for a smooth start to the financial year 2025–26.

REQUIRED ACTIONS ARISING FROM PROCEDURAL AMENDMENTS:

1. Goods Transport Agent:

A Goods Transport Agency (GTA) that intends to pay GST under the Forward Charge Mechanism (FCM) must file a declaration in Annexure V between 1st January and 31st March of the preceding financial year.

For the financial year 2025-26, this means the GTA must file Annexure V by 31st March 2025, not by 15th March 2025. The deadline was extended from 15th March to 31st March as per amendments through Notification No. 06/2023-CT(R) dated 26.07.2023.

Also, once a GTA opts for FCM by filing Annexure V, the option continues for subsequent years unless the GTA files Annexure VI to revert to Reverse Charge during the same 1st Jan–31st Mar window of the preceding year.

2. SEZ and Export Supply:

For the financial year 2025–26, the Letter of Undertaking (LUT) must be filed on or before 1st April 2025 by any registered person intending to supply goods or services for export without payment of IGST. The following are the key points to be kept in mind:

A. The LUT must be furnished in Form GST RFD-11 online on the GST portal.

B. Once submitted, the LUT is deemed accepted upon generation of Application Reference Number (ARN).

C. No physical documents are required to be submitted to the jurisdictional GST office.

D. The LUT is valid for the entire financial year in which it is filed.

E. Only those not prosecuted for tax evasion exceeding ₹2.5 crore are eligible to furnish an LUT instead of a bond.

3. COMPOSITION DEALERS:

Businesses that wish to avail the benefits of the Composition Scheme for the financial year 2025–26 must take timely and deliberate action. The first step involves filing Form CMP-02—a declaration of intent to opt into the scheme—before the commencement of the financial year, i.e., by 31st March 2025.

Before proceeding, it is essential to carefully assess eligibility. This includes reviewing the aggregate turnover of the preceding financial year and ensuring that the nature of supplies made falls within the scope permitted under the scheme. Equally important is verifying that the business has not contravened any provisions of the GST law, particularly those that would disqualify it from the scheme—such as supplying goods or services not eligible under composition or engaging in inter-state outward supplies.

4. QR CODE COMPLIANCE FOR B2C TRANSACTIONS:

In accordance with GST Notification No. 14/2020 – Central Tax, dated 21st March 2020, the Government has mandated the inclusion of Dynamic QR Codes on B2C invoices for taxpayers whose aggregate turnover exceeds ₹500 crores in the preceding financial year.

This requirement aims to enhance transparency, promote digital payments, and streamline the invoicing process. Businesses falling under this threshold must ensure compliance by embedding dynamic QR codes on all B2C invoices issued, enabling real-time payment verification and audit trails.

Non-compliance may attract penal consequences under GST law, making timely implementation crucial for large taxpayers.

5. CLAIMING OF REFUND

Under the GST regime, the timely filing of refund applications is a critical compliance requirement. As per Section 54 of the CGST Act, 2017, a taxpayer must file a refund claim within two years from the relevant date, which varies depending on the nature of the refund—such as export of goods/services, excess balance in the electronic cash ledger, or deemed exports.

Missing this statutory deadline can lead to the forfeiture of the refund entitlement, regardless of the merit of the claim. Taxpayers are advised to regularly reconcile their GST accounts and monitor potential refund scenarios to avoid such lapses.

6. ISSUE OF CREDIT NOTE AND DEBIT NOTE

credit notes and debit notes play a pivotal role in adjusting taxable value and tax liability post-invoice issuance. These adjustments may arise due to sales returns, post-sale discounts, pricing errors, or short/excess supplies. As per Section 34 of the CGST Act, 2017, businesses are required to disclose all credit and debit notes issued during a tax period in their monthly/quarterly returns (Form GSTR-1) and ensure the corresponding impact is reflected in Form GSTR-3B.

7. PLAN ALL TYPES OF INVOICING

- Every new financial year begins with a new series of invoice numbering pattern.
- However, every business owner is expected to calculate aggregate turnover from FY 2017–18 to 2023–24. If Turnover had crossed Rs.5cr in the previous FY not among the excluded categories under Rule 54(2) to (4A), then must comply with e-invoicing provisions. Failing to generate e-invoices when required can result in invoices being treated as invalid, affecting input tax credit and leading to penal consequences. If applicable then vendors are to be communicated for e-invoice change.
- It is essential to ensure that all self-invoices under RCM for FY 2024–25 have been duly prepared, recorded, and retained as part of statutory documentation

8. HSN REPORTING

As per GST Notification No. 78/2020 – Central Tax dated 15th October 2020, the requirement to mention HSN codes on B2C invoices varies based on the taxpayer's aggregate turnover in the preceding financial year:

- 4-digit HSN code is mandatory for taxpayers having aggregate turnover up to ₹5 crore.
- 6-digit HSN code is mandatory for those with aggregate turnover exceeding ₹5 crore.

This mandate ensures standardized product classification and aids in effective compliance monitoring. Taxpayers must ensure accurate HSN code disclosure on invoices issued for B2C transactions to avoid penal consequences.

9. RECONCILIATIONS:

As the financial year closes and a new one begins, businesses must focus on comprehensive GST reconciliations to ensure accuracy in filings, avoid mismatches, and minimize compliance risks. Below are the critical reconciliation points that require attention:

- **GSTR-1 vs. GSTR-3B**

E-Way Bill vs. GSTR-1

- **E-Invoice Data vs. E-Way Bill**
- **E-Invoice Data vs. GSTR-1**
- **E-Invoice Data vs. E-Way Bill vs. GSTR-1**
- **Turnover as per Books vs. GSTR-3B**
- **E-Invoices Raised vs. Turnover as per Books**

CA Sujatha G
GST

10. INPUT TAX CREDIT

Proper reconciliation of Input Tax Credit (ITC) is critical for ensuring GST compliance and avoiding denial of credit, interest, or penalties. Below are the key ITC-related reconciliations that businesses must perform at the close of the financial year:

1. GSTR-2A vs. GSTR-3B

2. ITC as per GSTR-2A and/or GSTR-2B vs. Books of Accounts

3. Electronic Credit Ledger Balance vs. Books

4. **ITC Register as per Books vs. GSTR-3B and GSTR-2A**

A three-way reconciliation is advisable:

i. Compare the ITC register maintained in the books with the ITC claimed in GSTR-3B,
ii. ITC in the Books with 2B for any reversal due to ineligibility
iii. ITC in the Books with 2A for follow up.

Section 194T: TDS on Payments by Partnership Firm/LLP to Partners

Effective Date

Section 194T will come into effect from **1st April 2025**, applicable for **FY 2025-26** (Assessment Year 2026-27).

1. Background

Until now, TDS was not applicable on payments such as **salary, remuneration, interest, bonus, or commission** made by a firm/LLP to its partners. The entire tax reporting was left to the honesty and compliance of individual partners.

A. What is Section 194T About?

Section 194T is a newly introduced provision under the Income Tax Act, applicable from **1st April 2025**, which requires a **partnership firm or LLP** to deduct **TDS at 10%** on payments made to its partners in the form of **salary, remuneration, commission, bonus, or interest**. This applies whether the payment is made or merely credited to the partner's account (including capital/current account).

B. Why Was This Introduced?

Earlier, no TDS was required on such payments to partners, and the responsibility of tax reporting lay solely with the individual partners. However, this system relied heavily on the **voluntary compliance** of partners, which could lead to underreporting of income. To **strengthen tax compliance**, ensure **advance tax collection**, and **streamline reporting**, the government has introduced Section 194T. It brings **partner payments under the TDS framework**, aligning them with other taxable payments.

- **To plug tax leakage**: Earlier, there was no mechanism to track whether partners correctly reported income received from the firm.
- **To ensure advance tax collection** through TDS, reducing reliance on voluntary disclosure by partners.
- **To improve reporting transparency**: The CBDT has also amended TDS Forms 26Q and 27Q to separately report such payments.

Section 194T is a newly introduced in Budget 2024 provision in the Income Tax Act, it mandates **Tax Deducted at Source (TDS)** on certain payments made by a **partnership firm or LLP to its partners**.

This includes payments in the nature of:

- Salary
- Remuneration
- Commission
- Bonus
- Interest

Previously, these payments were taxable in the hands of the partners, but the **firm was not required to deduct TDS** on them.

1. Provision and Applicability

- **Effective Date**: Applicable from **1st April 2025** (FY 2025-26, AY 2026-27).
- **Who Needs to Deduct TDS**: Any **firm or LLP** paying a partner.
- **Nature of Payments Covered**:
- Salary
- Remuneration
- Commission
- Bonus
- Interest
- **Rate of TDS**: 10%
- **Threshold**: No TDS is required if total payment to a partner **does not exceed ₹20,000** in a financial year.

Time of Deduction: TDS must be deducted at the **earlier of**:

- Payment
- Credit to the partner's account (including capital/current account)

Not Covered by LDC Certificates: No relief available under Sections 197/197A.

2. Compliance Requirements

- **Monthly TDS Deposit**: Firms must deposit the deducted TDS every month 7th of Suceeding month (if there is withdrawal covered as mentioned above).
- **Quarterly TDS Returns**: File in **Form 26Q/27Q** as applicable.
- **TDS Certificates**: Must be issued to partners.
- **Tax Audit Report**: Report compliance in **Clause 34** of **Form 3CD**.
- **Remuneration Limits (Section 40(b))**:

  From FY 2025-26:

  - First ₹6,00,000 of book profit/loss: ₹3,00,000 or 90% (whichever is higher)
  - Remaining book profit: 60%

Penalties for Non-Compliance

- **Interest**:
  - Non-deduction: 1% per month
  - Non-deposit: 1.5% per month
- **Late Return Filing**: ₹200 per day (limited to the TDS amount)
- **Section 40(a) Disallowance**: Not applicable for partner payments under Section 40(b)
- **Assessee in Default (u/s 201)**: Firm liable for interest and penalties if TDS is not deducted/deposited.

3. Conclusion

The introduction of **Section 194T** is a significant shift in how income of partners from a firm is treated for tax purposes.
Where earlier the **tax responsibility was entirely on the partner**, now the **firm shares this responsibility** by deducting TDS on such payments.
This change aims to:

- Improve tax compliance
- Prevent under-reporting by partners
- Ensure early tax collection

However, it also increases the **compliance burden on firms**, requiring strategic cash flow planning and robust accounting systems to manage TDS correctly and avoid penalties.

CA Chaitanya Kumar
Income Tax

Key Developments in the Mutual Fund Industry

SEBI's Regulatory Overhaul

From April 1, 2025, SEBI will introduce reforms focused on safeguarding investor interests and improving transparency. Key reforms include tighter rules for New Fund Offers (NFOs), the introduction of a Specialized Investment Fund (SIF), and new digital tracking systems.

Highlights

Investor Protection
New guidelines protect investors from exploitative practices through commission control and transparency.

Specialized Investment Fund (SIF)
A hybrid between mutual funds and PMS, starting at ₹1 lakh with defined risk bands for smarter investing.

NFO Timelines
AMCs must deploy funds raised through NFOs within **30 business days**, ensuring quick capital utilization.

Risk Transparency
Each scheme will display a risk level to help investors match investments with their risk appetite

Tech Integration

Digi Locker for Investments
SEBI mandates Digi Locker access for mutual fund and demat holdings—simplifying tracking and reducing paperwork.

Simplified Documentation
Legal recognition of digital records makes investments easier to monitor and manage.

Ethical Selling

Restructured Commissions
Revised commission norms prevent distributors from pushing high-fee schemes and encourage genuine fund recommendations.

Misselling Prevention
Ensures investments are sold based on merit, not earnings potential for agents.

Broader Impact

Empowering Investors
Transparency tools encourage informed decisions, creating a more confident investor base.

Filling the Gap
SIF acts as a middle path between high-risk PMS and traditional MFs—ideal for moderate investors.

Efficient Capital Deployment
Strict NFO timelines reduce idle capital, aligning AMCs with investor goals.

Long-Term Vision
SEBI's steps mark a shift toward a sustainable and accountable financial market focused on **education, efficiency, and ethics**.

Conclusion

SEBI's reforms from April 1, 2025, represent a strong push toward modernizing the mutual fund space. By promoting transparency, digital convenience, and responsible distribution, these changes aim to make investing safer, smarter, and more accessible for every Indian.

Abilash M, Nethra R, Maithri S

Amendments in Professional Tax

We would like to inform you about an important update regarding the *Karnataka Tax on Profession, Trades, Callings, and Employments Act, 1976*. The Government of Karnataka has introduced an **amendment** to this Act, which will come into effect from **April 1, 2025**. The amendment revises tax rates for individuals based on their monthly income.

Key Highlights of the Amendment:

Tax Rate Revision:

The **monthly tax rate** will now be:

- **Rs. 200 per month** for all months except **February**.
- **Rs. 300 for the month of February**.

Annual Tax Adjustment:

- The annual tax liability for salaried individuals earning Rs. 25,000 or more per month will increase from **Rs. 2400** to **Rs. 2500**.

Effective Date:

- The new provisions will take effect from **April 1, 2025**.

Why This Change?

This amendment is part of the **2025-2026 Budget proposals** aimed at **increasing tax rates** for individuals earning higher wages. The revised rates will help in aligning with the state's fiscal requirements while ensuring a balanced contribution from higher-income earners.

Who Will Be Affected?

• **Employees** earning a monthly salary of **Rs. 25,000 and above** will be impacted by the revised tax rates.
• The tax will be applied monthly and will differ in February, as mentioned earlier.

Next Steps:

• If you are an employee earning Rs. 25,000 or more per month, please ensure that you are prepared for the revised tax rates starting **April 2025**.
• Employers and payroll departments should update their records and systems to reflect the new tax rates.

A.Raghuram

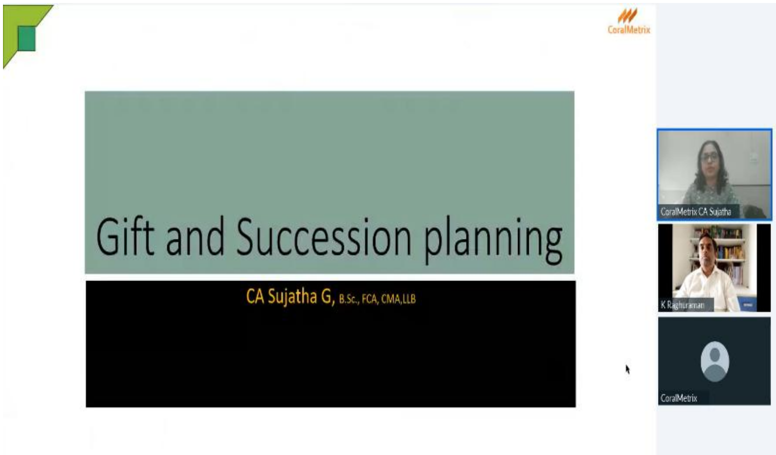
Manager - Administration

Key Announcements

Gift and Legacy Planning Webinar – Key Takeaways!

We successfully hosted our exclusive webinar on **Gift and Legacy Planning** featuring expert insights from **CA Sujatha G and Advocate K. Raghuraman**. The session provided a deep dive into the strategies to safeguard your wealth, optimize tax benefits, transition of assets for future generations.

For those who missed it, **you can watch the full session in our Youtube Channel.**



Women's Day 2025 | GST & Women Entrepreneurs

On **March 15**, the **FKCCI Women's Day event** featured a panel discussion on **"GST Perspectives on Urban vs Rural Women Entrepreneurs."**
CA Sujatha G participated in the discussion, sharing practical insights from her experience.

India Family Business Summit 2025

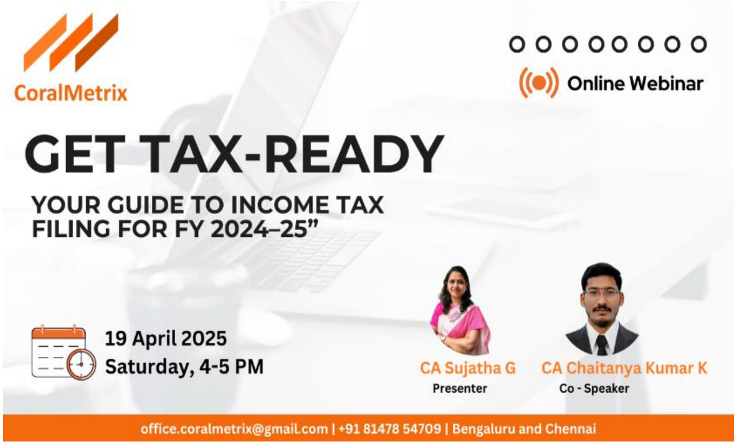
We're proud to share that **CA Sujatha G** took part in the **India Family Business Summit,** held on March 15, 2025, dynamic gathering dedicated to the growth and resilience of family-managed businesses. The event featured engaging sessions, strategic insights, and interactive networking tailored for India's legacy-driven enterprises.

A Proud Moment for CoralMetrix!

On 28th March 2025, we inaugurated our new office at JP Nagar, Bengaluru, graced by the esteemed **Sri. CA R Balakrishnan, Past President of ICAI (1986–87).**

This marks the beginning of a collaborative journey between CoralMetrix and Raman Law Chambers under one roof.

Thank you to everyone who joined us and shared in this special milestone!



Upcoming Webinar Alert, Get Tax-Ready: Mastering Income Tax Filing for FY 2024–25

Get ready for the upcoming **Income Tax season FY 2024- 2025**, and understand how the new provisions will impact businesses and individual taxpayers alike. This session will help you stay compliant, make informed financial decisions, and plan better for the year ahead.

Date: 19 04 2025 | Day Saturday | Time: 04.00 – 05.00 PM

Registration Link: https://meet.zoho.in/LpXI-Yqc-nkB

Financial year 2025 - 2026 Compliance Calendar

Disclaimer: Dates are subject to change as per notification from government authorities

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APR	MAY	JUNE	JULY	AUG	SEPT
07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT
07TH GOVT. DEDUCT	10TH GSTR 7	10TH GSTR 7	09TH ECB 2 RETURN	10TH GSTR 7	09TH ECB 2 RETURN
09TH ECB 2 RETURN	11TH GSTR 1	10TH ECB 2 RETURN	10TH GSTR 7	11TH ECB 2 RETURN	10TH GSTR 7
10TH GSTR 7	12TH ECB 2 RETURN	11TH GSTR 1	11TH GSTR 1	11TH GSTR 1	11TH GSTR 1
13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1(QRMP/IFF)	13TH GSTR 1(QRMP/IFF)	13TH GSTR 1(QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)
18TH CMP - 08	20TH GSTR 3B	15TH Q4 TDS CERTIFICATE	15TH FLA RETURN	15TH Q1 TDS CERTIFICATE	15TH Q2 ADVANCE TAX 45%
20TH GSTR 3B	29TH PAS 6	15TH Q1 ADVANCE TAX 15%	18TH CMP 08	20TH GSTR 3B	20TH GSTR 3B
22ND QRMP	30TH LLP ANNUAL RETURN	20TH GSTR 3B	20TH GSTR 3B (QRMP)		30TH TAX AUDIT
25TH PMT 06	31ST TDS Q4 FILING (24-25)	30TH DPT 3	22ND QRMP		30TH DIRECTOR KYC
30TH GSTR 4	31ST FORM 61A		31ST TDS Q1 FILING (25 - 26)		
30TH MSME 1			31ST INDIVIDUAL ITR FILING		
30TH GOVT. NON DEDUCT					

OCT	NOV	DEC	JAN	FEB	MAR
07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT	07TH MONTHLY TDS PAYMENT
10TH ECB - 2 RETURN	10TH GSTR 7	09TH ECB 2 RETURN	09TH ECB 2 RETURN	10TH GSTR 7	10TH GSTR 7
10TH GSTR 7	11TH ECB 2 RETURN	10TH GSTR 7	10TH GSTR 7	11TH ECB 2 RETURN	11TH ECB 2 RETURN
11TH GSTR 1	11TH GSTR 1	11TH GSTR 1	11TH GSTR 1	11TH GSTR 1	11TH GSTR 1
13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1(QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)	13TH GSTR 1 (QRMP/IFF)
18TH CMP - 08	15TH Q2 TDS CERTIFICATE	15TH Q3 ADVANCE TAX 75%	18TH CMP 08	15TH Q3 TDS CERTIFICATE	15TH Q4 ADVANCE TAX 100%
20TH GSTR 3B	20TH GSTR 3B	20TH GSTR 3B	20TH GSTR 3B	20TH GSTR 3B	20TH GSTR 3B
22ND QRMP	28TH MGT-7/MGT - 7A	31ST BELATED/REVISED ITR	22ND GSTR 3B (QRMP)	25TH PMT 06	25TH PMT 06
29TH AOC 4	29TH PAS - 6	31ST GSTR - 9/9A/9C	25TH PMT 06		31ST FORM CSR - 2
30TH LLP FORM 8	30TH FINAL ITC	31ST TDS Q3 FILINGC (25 - 26)	31ST Q3 TDS FILING (25 - 26)		31ST ITR U (FY 2022 - 23)
31ST MSME 1		31ST APR RETURN			
31ST COMPANY ITR					
31ST TDS Q2 FILING (25 - 26)					

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