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GST ALERT

2026 ITR WORLD TAX RECOMMENDED FIRM

GST - Key Year End Activities

FY 2026-27

With the new financial year around the corner, it would be pertinent to ensure adherence with certain statutory compliances under the GST legislation. Here's all you need to know to stay compliant.

Document Series for FY 2026-27

Legal Provisions

As per the CGST Rules, every GST document issued by a registered person, such as a tax invoice, bill of supply, debit/credit note, etc., should be serially numbered in one or more series and be unique for each financial year.

Action Required

From 1 April 2026, each series must be unique and consecutive, not exceeding 16 characters, and may include alphabets, numbers, and special characters such as hyphens '-' or slashes '/'.

Letter of Undertaking (LUT)

Legal Provisions

- If a registered person seeks to export goods/services without payment of IGST, a LUT is required to be furnished as per Rule 96A of the CGST Rules.
- Vide Circular No. 8/8/2017-GST, it has been clarified that the validity of LUT is for the whole financial year in which it is tendered. Hence, the registered person is required to renew the LUT if it engages in the export of goods/services without payment of tax in Form GST RFD-11.

Action Required

- A fresh LUT for FY 2026-27 may be applied before issuing the first export invoice.
- The ARN generated may be mentioned on all invoices for zero-rated supplies issued from 1 April 2026 onwards.

Applicability of E-Invoicing vis-à-vis Vendor Verification

Legal Provisions

E-invoicing is applicable to all registered persons (except SEZ units) vis-à-vis B2B supplies and exports, where the aggregate annual turnover (PAN based) in any of the previous financial years exceeds INR 50 million.

Action Required

- Registered persons crossing the said threshold limit should adhere to this requirement by generating the IRN/QR Code for the Tax Invoices, Debit and Credit notes issued vis-à-vis B2B supplies and exports from 1 April 2026.
- The IRN/QR Code must be mentioned on the face of the aforesaid documents.

Vendor Verification

To mitigate any loss of Input Tax Credit (ITC) arising from the invalidity of a Tax Invoice/ Debit Note, it is imperative verify vendors to ensure they are comply with the E-invoicing provisions.

Revalidation of Common ITC Reversal for FY 2025-26

Legal Provisions

Rule 42 of the CGST Rules requires proportionate reversal of ITC as is attributable to any exempt supplies effected during the financial year.

Action Required

- Re-computation of reversal amount/ratio based on annual data is required.
- If there is any short reversal, ITC should be reversed through Form GSTR-3B or discharged through Form DRC-3 before September 2026, along with interest computed from 1 April 2026.
- Hence, it is advisable to re-compute and additionally reverse any ITC while filing Form GSTR-3B for March 2026 to avoid interest implications.
- In case of excess reversal, ITC can be re-claimed in Form GSTR-3B on or before September 2026.

Reconciliation of GST Returns vs. Books of Accounts for FY 2025-26

Action Required

As good practice, it is recommended to carry out reconciliations at the year end to mitigate any interest and penal implications. This includes:

- Turnover disclosed in Form GSTR-1 & Form GSTR-3B
- Supplies as per Form GSTR-1 & E-Way Bill database
- Closing balances available in the Electronic Cash Ledger and Electronic Credit Ledger as per the GSTN portal vis-à-vis the Books of Accounts as on 31 March 2026

- IGST credit availed in Form GSTR-3B towards import of goods vis-à-vis the list of BoEs as per the Indian Customs Electronic Gateway (ICEGATE) portal/appearing in Form GSTR 2B (GST authorities generally seek this reconciliation during audit/ scrutiny)
- Reverse Charge Mechanism (RCM) expenses recorded in the Books of Accounts vs. liability discharged in GST returns.

Necessary corrective actions may be undertaken and given effect to the GST returns of March/April 2026.

Disclosure of HSN/SAC digits in Tax Invoices

Legal Provisions

As per Rule 46 of the CGST Rules read with Notification 78/2020-CGST, all registered persons having a turnover up to INR 50 million in the preceding financial year must mention 4-digit HSN/SAC on all B2B invoices. On the other hand, 6-digit HSN/SAC needs to be mentioned by all registered persons with turnover exceeding INR 50 million.

Action Required

Based on the turnover for FY 2025-26, necessary changes in HSN/SAC disclosures should be made from 1 April 2026 onwards.

Assessment of aggregate annual turnover

Action Required

It is recommended to assess the aggregate turnover for FY 2025-26 to determine the applicability of the below compliances in FY 2026-27:

- Composition Scheme,
- QRMP Scheme, and

Adherence to Rule 86B of the CGST Rules concerning 1% cash payment of outward tax liability.

Reconciliation of turnover in GST returns vs. GST TDS/TCS

Action Required

- Appropriate reconciliations should be undertaken to match the turnover disclosed in GSTR-3B vs. GSTR-7 / 8 (TDS/TCS)
- Any unclaimed GST TDS/TCS credit can be claimed, subject to confirmation with the books of accounts.
- For FY 2026-27, declarations should be collected from GTAs that opt to pay GST under the forward charge mechanism. This would mitigate any liability under RCM.

Declarations from Goods Transport Agencies (GTA)

Action Required

For FY 2026-27, declarations should be collected from GTAs that opt to pay GST under the forward charge mechanism. This would mitigate any liability under RCM.

About Nexdigm

Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the ISO/IEC 27701:2019 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

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