

Beyond Compliance: The Critical Post-Return Phase for Risk Management and Litigation Readiness

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The recent months have been a roller-coaster ride for professionals, marked by tight timelines and sustained pressure in completing Income-tax returns and GST Annual Returns (GSTR-9 & 9C). Once the last return is filed and the audit report is signed, there is a natural tendency to pause and move on to the next assignment.

However, this is not the stage to relax. On the contrary, this is the most critical phase to prepare for future assessments, audits and litigations, when facts are still fresh and documentation is readily accessible.

While evaluating litigation strategy, it is essential to balance cost considerations with long-term risk management. Although individual demands of relatively modest amounts (such as ₹3–4 lakhs per year) may appear insignificant in isolation, their cumulative impact across multiple periods can become material and influence management decisions. Accordingly, such demands should not be settled mechanically merely because of their nominal annual value. Instead, timely preventive steps—such as rectification of procedural lapses, strengthening of documentation and availing appropriate legal remedies at an early stage—should be adopted to prevent recurrence of liability. Payment should be made only as a conscious and well-evaluated commercial decision where mitigation is not feasible.

1. Filing is Completion, Not Closure

Completion of statutory filings signifies procedural compliance alone. From a litigation and advisory perspective, the real test begins after filing, when:

- Income-tax assessments are initiated,
- GST audits and verifications are undertaken, and
- Regulatory scrutiny is triggered based on data analytics.

Accordingly, every compliance must be viewed through the lens of defensibility, and not merely accuracy.

2. Outsourced Work: Close the Knowledge Gap Before Closing the File

In many cases, preparation of ITRs, GST returns and ROC filings is outsourced to internal teams or external professionals. While outsourcing enhances efficiency, it creates significant post-compliance risk if final workings are not retained.

It is imperative to obtain and preserve complete final workings relating to:

- Income-tax returns and tax computations,
- GSTR-9 and GSTR-9C reconciliations, and
- ROC forms and supporting annexures.

Such workings should be finalised, reconciled, version-locked and systematically archived. In the absence of these documents, responding to future notices often becomes speculative, time-consuming and defensively weak.

3. Income-tax: Assessment Readiness Starts Immediately

Post filing of ITRs, professionals should:

- Preserve final reconciliations between Financial Statements, Form 3CD and the ITR;
- Archive AIS and Form 26AS snapshots as on the date of filing, together with explanations for mismatches; and
- Prepare concise defense notes on judgemental positions, such as disallowances, provisions, capitalisation and pending litigations.

These measures materially reduce response time and exposure during scrutiny proceedings.

4. GST: GSTR-9 & 9C as the Starting Point of Audits

GST annual returns are increasingly being used as base documents for departmental audits. Accordingly, post-filing documentation assumes critical importance.

Common issues observed include:

- Excess tax disclosure in GSTR-9 vis-à-vis GSTR-3B, arising from direct adoption of book figures without validating monthly return data. This necessitates month-wise reconciliation of GSTR-1, GSTR-3B and GSTR-9, with documented reasons for differences.
- Excess ITC reversal reported in GSTR-9 without tracking subsequent re-availment, directly impacting interest exposure. Preservation of GSTR-1 and GSTR-3B workings is therefore essential.
- Absence of ITC eligibility registers, making it difficult to demonstrate non-availment of blocked credits. Maintaining invoice-wise ITC eligibility registers as an annexure to GSTR-9 workings is strongly recommended.

- Rule 42 reversals disclosed without documenting methodology, whether turnover-based or area-based, and exclusion of common expenses such as head-office rent and consultancy charges. Documented methodology often provides substantial audit relief.
- DRC-03 payments without bifurcation between tax, interest and penalty, weakening the taxpayer's defence during audit and adjudication.

Accordingly, GSTR-9 and GSTR-9C filing is not a closure point but a litigation starting point. Increasingly, the absence of reconciliations, workings and explanatory notes is being treated as non-compliance, even where taxes have been duly paid.

5. Time Sensitivity and Portal Vigilance

The period March to September 2026 will be critical, with overlapping deadlines relating to adjudication, issuance of show cause notices and appellate remedies. Taxpayers and advisors must therefore shift focus from routine compliance to litigation preparedness, ensuring that documentation, reconciliations and legal positions are crystallised well in advance.

IMPORTANT GST LITIGATION DEADLINES



**FY 2019-20 ORDERS
UNDER SECTION 74 OF CGST ACT**

Due on 31st March 2026



GST TRIBUNAL APPEALS

For Order-in-Appeals Issued *Upto March 2026*

File Appeal By 30th June 2026



NOTICE UNDER SECTION 74 FOR FY 2020-21

On 28th August 2026



NOTICE FOR FY 2022-23 UNDER SECTION 73

On 30th September 2026

Taxpayers should periodically review the GST portal (Services → User Services → Notices and Orders / Additional Notices and Orders) to identify:

- Orders under Section 73 for FY 2021-22, and
- Orders under Section 74 for FY 2018-19, which are approaching limitation around December 2025, as well as any other un-actioned demand orders.

Upon identification, appropriate legal action must be initiated promptly, including filing statutory appeals within the prescribed limitation period, to avoid finality of demands.

Further, in terms of Section 169 of the CGST Act, 2017, service of notices or orders through any one prescribed mode, including e-mail or uploading on the GST portal, constitutes valid service. It is therefore imperative that registered e-mail IDs are functional and monitored, and that registered addresses on the GST portal are accurate and current. Failure to maintain these details frequently results in unnoticed service, ex-parte orders and irreversible loss of appellate remedies.

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