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Insights into Self-Assessment under GST

Since its implementation in 2017, GST has unified India's indirect taxation system, replacing a fragmented regime. Businesses still face compliance challenges, especially with self-assessment under Section 59, which requires accurate tax calculation and reporting. The GST framework includes various assessment types and allows for rectification of errors under Section 39(9). Recent developments, like Form GSTR-1A, aim to improve accuracy and reduce compliance burdens. Despite challenges, continuous updates to the GST

system reflect a commitment to enhancing transparency, compliance, and efficiency in tax administration, contributing to India's economic growth.

Since its implementation on July 1, 2017, the Goods and Services Tax (GST) has revolutionized indirect taxation in India by consolidating multiple taxes into a unified system. Despite amendments and updates, businesses face challenges such as audits, investigations, and demand notices, leading to litigation and compliance burdens. As the GST Appellate Tribunal is awaited, disputes escalate to High Courts with significant pre-deposits. Navigating the complexities of GST compliance, particularly in terms of self-assessment, remains a critical challenge for businesses across the country.

Before the introduction of GST, India operated under a fragmented tax regime comprising Central Excise, Service Tax, and VAT, each governed by its own set of rules and compliance requirements. This decentralized approach often resulted in overlapping taxes, cascading effects, and compliance burdens, especially for businesses operating across different states. In the early 90's, the assessment used to happen in the presence of Central Excise officer, however, the same has been placed by the self-assessment regime wherein the taxpayer can assess their liabilities on their own and pay the taxes to the government. The self-

assessment regime has been continued subsequently on the introduction of Service Tax, Sales Tax, and VAT regime. Due to multiple taxes, the taxpayer used to self-assess their liabilities under the respective act.

The GST's implementation sought to address the challenges of multiple assessments by unifying India into a single market with a uniform tax structure. The GST framework operates through three primary components: Levy, Assessment provisions, and Tax recovery/payment. These components collectively aim to streamline tax administration, ensure uniformity in tax rates, and facilitate easier compliance for taxpayers.

Overview of Assessment under GST

Assessment under GST is pivotal for determining a taxpayer's liability and ensuring compliance with statutory obligations. In terms of Section 2(11) of the CGST Act, 2017 (hereinafter referred to as 'Act'), "assessment" means a determination of tax liability under this Act and includes self-assessment, re-assessment, provisional assessment, summary assessment and best judgement assessment.

The Act contemplates the following types of Assessments under different sections of the Act:

1. Self-assessment (Section 59)
2. Provisional assessment (Section 60)
3. Scrutiny of returns filed by registered taxable persons (Section 61)
4. Assessment of non-filers of returns (Section 62)
5. Assessment of unregistered persons (Section 63)
6. Summary assessment in certain special cases (Section 64).

While self-assessment (Section 59) and provisional assessment (Section 60) places the responsibility on taxpayers to calculate and report their tax liabilities, other provisions such as scrutiny of returns (Section 61), assessment of non-filers (Section 62), assessment of unregistered persons (Section 63), and Scrutiny Assessment (Section 64) empower tax authorities to validate the declarations made under self-assessment.

In addition, the law has also given powers to proper officers to demand and recover the unpaid or short-

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paid taxes under Section 73, 74 and 76 of the CGST Act, 2017. While some sections like 60, 62, and 63 stand independently, others such as 61 and 64 rely on Sections 73 or 74 for a coherent outcome. Collectively, these sections form what can be referred to as the “GST Assessment Framework”.

Self-assessment: Key principles and procedures

Self-assessment is central to GST compliance, mandated under Section 59 of the Act which provides that “Every registered person shall self-assess the taxes payable under this Act and furnish a return for each tax period as specified under section 39”.

Key Objectives of GST Assessment

The overarching objectives of GST assessment are multifaceted:

- **Ensure compliance:** Encourage taxpayers to comply with GST laws and file accurate returns.
- **Revenue protection:** Safeguard government revenue by identifying and addressing tax evasion.
- **Simplification:** Provide a clear and consistent framework for assessing tax liabilities.
- **Transparency:** Enhance transparency in the tax assessment process, making it easier for taxpayers to understand and comply.

Types of self-assessments under GST

GST prescribes different types of self-assessment procedures tailored to various categories of taxpayers. These include:

Sl.No.	Type of Self-assessment	Section	Rule	Form
1	Self-Assessment by Regular Assesse and Casual Taxable Person	39(1)	61	Form GSTR 3B
2	Self-Assessment by Composition Dealer	39(2)	62	Form GSTR 4
3	Self-Assessment by Non-Resident Taxable Person	39(5)	63	Form GSTR 5
4	Self-Assessment of OIDARS provided by person located outside India to non-taxable person in India	39(1)	64	Form GSTR 5A
5	Self-Assessment by ISD	39(4)	65	Form GSTR 6
6	Self-Assessment of Tax Deducted at Source	39(3)	66	Form GSTR 7
7	Self-Assessment of Tax Collected at Source	52(4)	67	Form GSTR 8
8	Self-Assessment for purpose of Refund by persons having UIN	39(1)	82	Form GSTR 11

Each category of taxpayer is required to comply with specific rules and forms to ensure accurate reporting and timely compliance with GST regulations.

What consists of self-assessment?

The self-assessment process involves a meticulous evaluation of various aspects, including:

1. Whether to obtain registration if crossing the threshold or opting for voluntary registration under Section 25(3).
2. Determining if activities constitute taxable supplies under GST.
3. Classifying supplies as goods or services.
4. Identifying the nature of supply (inter-state or intra-state).
5. Deciding the liability to pay tax under Forward Charge Mechanism (FCM) or Reverse Charge Mechanism (RCM).
6. Calculating the taxable value.
7. Applying the correct tax rate.

8. Assessing the eligibility for exemptions.

9. Verifying the admissibility of input tax credit, calculating eligible credit, and determining reversals.

10. Computing the net tax liability.

11. Allocating availed credits and evaluating the need for separate registrations.

12. Managing restricted credits as per GST regulations.

13. Assessing if supplies qualify as exports, zero-rated supplies, or other categories.

14. Evaluating the applicability and amount of eligible refunds.

As the GST regime endorses the self-assessment, it requires each registered person to calculate their tax liabilities in compliance with the Act and disclose these along with the method of computation through periodic returns on the GST common portal i.e., the tax dues determined (i.e., liability) is reported in statement filed under Section 37 and liability reported

is discharged in returns filed under Section 39, either by way of utilisation of credit available or cash deposited.

The self-assessment process is not merely an administrative formality but a legal obligation that requires accurate computation and reporting of tax liabilities. Any errors or discrepancies discovered post-filing can be rectified under Section 39(9) of the Act, subject to specified conditions and within prescribed timelines.

Rectification of the returns furnished and Impact on tax liabilities

In terms of Section 39(9) of the Act, “where any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act.”

Proviso to Section 39(9) of the Act provides that rectification of any omission or incorrect particulars is permissible until the 30th day of November following the relevant financial year’s end or the actual date of filing the annual return, whichever is earlier.

Let’s break down the time limits with an example involving Mr. A, who reported a supply with a taxable value of Rs. 52,000/- in his tax invoice dated 23-02-2023, but inadvertently recorded only Rs. 25,000/- in both GSTR-1 and GSTR-3B returns for March 2023.

- **Scenario 1:** If Mr. A files his annual return for FY 2022-23 on 31-12-2023, he can rectify this invoice error on or before 30th November 2023.

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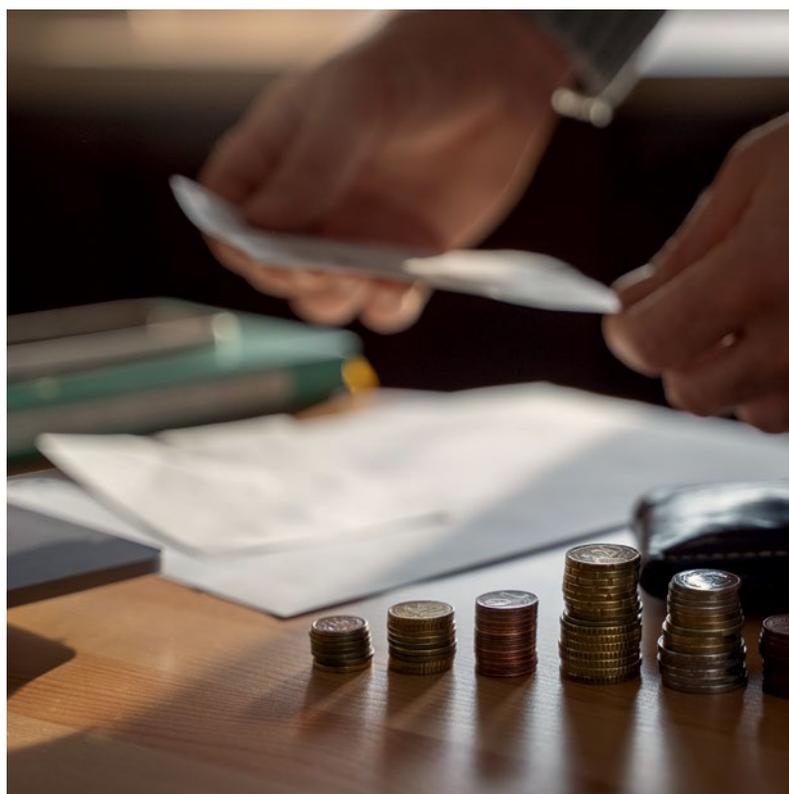
- **Scenario 2:** If Mr. A files his annual return for FY 2022-23 on 31-10-2023, the rectification deadline for this invoice would be 31st October 2023.

From the above, it is inferred that, in no case will the last date to rectify extend beyond 30th November following the end of the FY.

If rectification reveals a higher tax liability than originally paid, interest¹ is levied at 18% per annum from the original due date of the tax payment

to actual payment date. Conversely, if the reassessed liability is lower than taxes paid, a refund² can be claimed using Form GST RFD-01³ within two years from the tax payment date, with interest payable at 6% per annum if the refund is delayed beyond 60 days from the application’s receipt.

Self-assessment in GST involves rectifying discrepancies in GSTR-1 through specific tables like 9A, 9C, 10, 11A, 11B, 14A, and 15A. However, unlike GSTR-1, GSTR-3B does not have separate tables for reporting past month discrepancies. Para 4 of circular no. 26/26/2017-GST dated 29-12-2017 clarifies that these differences should be reported on a net basis along with current month values in appropriate tables like 3.1, 3.2, 4, and 5. These guidelines underscore the principle of self-assessment, emphasizing that it does not imply unsupervised self-administration.



1 Section 50 of the Act

2 Section 54(8) of the Act

3 Rule 89 of the CGST Rules, 2017 (hereinafter referred to as ‘Rules’)



Recovery of unpaid self-assessed taxes

In situations where taxes reported in GSTR-1 exceed those discharged in GSTR-3B, or when additional liabilities arise due to factors like the reversal of input tax credit (such as in the case of unsold flats in a construction project), questions arise about the method of recovery. Specifically, whether recovery should be through direct action by the proper officer or through procedures outlined in Section 73 or 74 of the Act.

Section 75(12) of the Act grants the proper officer authority to recover unpaid self-assessed tax or interest overriding Section 73 or 74. An explanation⁴ to the above provision states that “self-assessed tax” includes taxes due on outward supplies reported in GSTR-1 but not included in GSTR-3B. Referring to Section 78, “Initiation of recovery proceedings,”

“Section 75(12) of the Act grants the proper officer authority to recover unpaid self-assessed tax or interest overriding Section 73 or 74.”

any outstanding tax may be recovered under Section 79, “Recovery of tax,” if rectification is not made within three months. Despite these provisions, judicial precedents such as *Refex Industries Ltd. v. ACCE*⁵ and *UoI v. LC Infra Projects Pvt. Ltd.*⁶ have emphasized the need for tax authorities to issue prior notices before initiating recovery actions. This judicial scrutiny aims to safeguard taxpayer rights and ensure procedural fairness in tax recovery processes.

Taxpayers are advised to exercise caution in reporting their tax liabilities

accurately in both GSTR-1 and GSTR-3B. Timely rectification of errors and discrepancies is crucial to avoid interest liabilities and potential recovery actions by tax authorities.

Developments and Enhancements in GST Self-Assessment

The 53rd GST Council has recently introduced Form GSTR-1A which allows taxpayers to amend or add details in Form GSTR-1 before filing Form GSTR-3B for the same tax period. This initiative aims to facilitate corrections in tax declarations promptly, thereby improving the accuracy of returns and reducing compliance burdens.

Conclusion

In conclusion, the GST self-assessment framework plays a pivotal role in India’s indirect tax regime by empowering taxpayers to calculate, report, and pay their tax liabilities in a transparent and efficient manner. While the system aims to simplify tax compliance, challenges such as complex legal provisions, procedural nuances, and technological dependencies persist. Continuous updates and enhancements to the GST assessment framework underscore the Government’s commitment to addressing these challenges and ensuring the smooth functioning of the tax system. By fostering compliance, protecting revenue, and promoting transparency, GST aims to contribute to India’s economic growth while ensuring fairness and accountability in tax administration.

References

- *CGST Act, 2017 (Bare Act)*
- *Background material issued by ICAI*

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⁴ Inserted vide The Finance Act, 2021 dated 28-03-2021 w.e.f. 01-01-2022

⁵ 2020 (74) GSTR 274 (Mad.)

⁶ 2020 (81) GSTR 281 (Kar)