

- The reconciliation statement in **FORM GSTR-9C** for the FY 2020-21 is required to be filed by taxpayers with Aggregate Annual Turnover above ₹ 5 Cr.

(e) Charging of interest on net cash liability w.e.f. 01.07.2017. Council's decision in its 45<sup>th</sup> meeting, to apply the same for ineligible ITC availed and utilized.

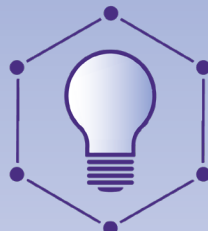
(f) Requirement of filing **FORM GST ITC-04** under Rule 45 (3) of the CGST Rules has been relaxed as under:

- Taxpayers whose Aggregate Annual turnover in preceding financial year is above ₹ 5 Cr shall furnish **FORM ITC-04** once in six months;
- Taxpayers whose Aggregate Annual turnover in preceding financial year is upto ₹ 5 Cr shall furnish **FORM ITC-04** annually.

(g) Export related clarifications have been issued vide Circulars No. 159 and 161, both dated 20.09.2021. This has removed ambiguity in interpretation of export of services in general, and scope of intermediary services in particular.



## GST Policy Initiatives for MSMEs



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# GST

GOODS AND SERVICES TAX

## Policy Initiatives for MSMEs

(Updated as on November 2024)



Directorate General of Taxpayer Services  
**CENTRAL BOARD OF INDIRECT TAXES & CUSTOMS**  
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# Policy Initiatives For MSMEs

## 1. In general, GST Law provides for beneficial treatment of small taxpayers through various provisions of the Act.

- (a) No registration required for inter-state and intra-state supply of services upto ₹ 20 Lakh (₹ 10 Lakh for States of Manipur, Mizoram, Nagaland and Tripura).
- (b) No registration required for intra-state supply of goods upto ₹ 40 Lakh (₹ 20 Lakh in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand) w.e.f. 01.04.2019.
- (c) Tax on advance received for supply of goods has been exempted.
- (d) Composition scheme has been formulated for small businessman being supplier of goods and supplier of restaurant services. Under the scheme, person with turnover up to ₹ 1.5 Cr (₹ 75 Lakh in States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand) needs to pay tax equal to 1% to 5% on his turnover and needs to file his returns annually with quarterly payment.
- (e) Composition scheme has been formulated for supplier of services. Under the scheme, person with turnover up to ₹ 50 Lakh need to pay tax equal to 6% on his turnover and needs to file his returns annually with quarterly payment from FY 2019-20.
- (f) Composition taxpayers have to pay tax on quarterly basis. Such taxpayers do not have to maintain elaborate accounts and records and instead of monthly statements and a return they shall file quarterly challans and one annual return.
- (g) Free Accounting and Billing Software shall be provided to small taxpayers by GSTN.
- (h) Grievance Redressal Committees (GRC) have been constituted at Zonal/State level with both CGST and SGST officers including representatives of trade and industry and

other GST stakeholders (GST practitioners and GSTN etc.). These committees addresses grievances of specific/ general nature of taxpayers at the Zonal/ State level.

## 2. Recent GST and Policy Initiatives for MSME Sector:

- (a) QRMP Scheme for small taxpayers: A scheme of quarterly filing and monthly payment (QRMP) has been introduced w.e.f. 01<sup>st</sup> January 2021 where the small taxpayers with Aggregate Annual Turnover up to ₹ 5 Cr have an option to file returns on quarterly basis, instead of monthly return. Number of returns in a year reduced from 24 earlier to 8 now for such taxpayers. This scheme is available to approx. 89 % of the taxpayers registered under GST.
- (b) To reduce burden of late fee on smaller taxpayers, the upper cap of late fee has been rationalized to align late fee with tax liability/ turnover of the taxpayers.
  - The late fee for delay in furnishing of **FORM GSTR-3B** and **FORM GSTR-1** capped, per return, as below:
    - (i) For taxpayers having nil tax liability in **FORM GSTR-3B** or nil outward supplies in **FORM GSTR-1**, the late fee capped at ₹ 500/- (₹ 250/- CGST + ₹ 250/- SGST)
    - (ii) For other taxpayers:
      - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year upto ₹ 1.5 Cr, late fee capped to a maximum of ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST);
      - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year between ₹ 1.5 Cr to ₹ 5 Cr, late fee capped to a maximum of ₹ 5,000/- (₹ 2,500/- CGST + ₹ 2,500/- SGST);
      - ◊ For taxpayers having Aggregate Annual Turnover (AATO) in preceding year above ₹ 5 Cr, late fee capped to a maximum of ₹ 10,000/- (₹ 5,000/- CGST + ₹ 5,000/- SGST).
  - The late fee for delay in furnishing of **FORM GSTR-4** by composition taxpayers capped to ₹ 500/- (₹ 250/- CGST +

₹ 250/- SGST) per return, if tax liability is nil in the return, and ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST) per return for others.

- Late fee payable for delayed furnishing of **FORM GSTR-7** reduced to ₹ 50/- per day (₹ 25/- CGST + ₹ 25/- SGST) and capped to a maximum of ₹ 2,000/- (₹ 1,000/- CGST + ₹ 1,000/- SGST) per return.
- (c) COVID related relaxations for smaller taxpayers having AATO upto ₹ 5 Cr have been provided for months of March, April and May, 2021 as follows:
    - **Reduction in Interest:** Nil rate of interest for the first 15 days from the due date of payment of tax, 9% for the next 45 days / 30 days / 15 days for the period March 2021 / April 2021 / May 2021
    - **Waiver of late fee:** Late fee waived for 60 days in respect of the returns in **FORM GSTR-3B** furnished beyond the due date for tax periods March 2021. The same was waived for 45 days and 30 days for April 2021 and May 2021 respectively
  - (d) Simplification of Annual Return:
    - Exemption from filing annual return in **FORM GSTR-9** for FY 2022-23 has been provided to taxpayers having Aggregate Annual Turnover upto Rs. 2 Cr vide Notification No. 32/2023- Central Tax dated 31.07.2023.
    - Exemption from filing annual return in **FORM GSTR-9** for FY 2021-22 has been provided to taxpayers having Aggregate Annual Turnover upto ₹ 2 Cr vide Notification No. 14/2022- Central Tax dated 05.07.2022.
    - Amendments in section 35 and 44 of CGST Act made through Finance Act, 2021 has been notified. This eased the compliance requirement in furnishing reconciliation statement in **FORM GSTR-9C**, as taxpayers are now able to self-certify the reconciliation statement, instead of getting it certified by chartered accountants. This change applies for Annual Return for FY 2020-21 onwards.
    - The filing of annual return in **FORM GSTR-9** for FY 2020-21 has been made optional for taxpayers having Aggregate Annual Turnover upto ₹ 2 Cr.

## Measures for Small taxpayers and MSMEs:

- Waiving mandatory requirement of registration for supply through ECOs: To facilitate small taxpayers in making supply of goods through ecommerce operators (ECOs), and to provide parity in intra-state offline and online supply of goods, it was decided to waive the requirement of mandatory registration up to threshold turnover for registration with effect from 01.10.2023 for intra-state supply of goods through ECOs. Composition taxpayers would also be allowed to make intra-State supply through ECOs subject to certain conditions.
- This has opened the huge e-commerce market for the small taxpayers to sell their goods without getting mandatory registration which will boost small businesses.
- Exemption from filing annual return in FORM GSTR-9 has been provided to taxpayers having Aggregate Annual Turnover upto Rs. 2 Crores.
- Exemption from filing annual reconciliation statement in FORM GSTR-9C has been provided to taxpayers having Aggregate Annual Turnover upto Rs. 5 Crores.
- Facility of filing of Nil returns through SMS has been provided.
- Measure for improving cash flow: Provision has been made to provide for transfer of balance in electronic cash ledger of a registered person to electronic cash ledger of CGST and IGST of a distinct person. This provision would help taxpayer in easily transferring unutilized balance in cash ledger between the registered persons having same PAN, without need for filing refund claim with tax officers.
- This would provide ease of doing business and would improve liquidity and cash flows of such taxpayers.
- UPI and IMPS have been provided as an additional mode for the payment of Goods and Services Tax liability.
- To reduce burden of late fee on smaller taxpayers, late fee structure has been rationalized, from June, 2021 tax period onwards, by aligning the upper cap of late fee for FORM GSTR-1, FORM GSTR-3B, FORM GSTR-4 and FORM GSTR-7 with tax liability/ turnover of the taxpayer.
- E-invoicing system has been introduced in India with effect from 01.10.2020 for B2B transactions as well as exports, for taxpayers with annual aggregate turnover of Rs. 500 crore and above. This threshold has been reduced progressively over a period of time and has now been reduced to Rs 10 crores from 01.10.2022. This threshold limit has been further reduced to Rs 5 crore with effect from 01.08.2023.
- Data from e-invoice is auto populated in FORM GSTR-1 & FORM GSTR3B of the taxpayer, thereby easing the process of return filing by reducing the time taken in filing the return, thus, reducing compliance burden.
- In order to simplify certain provisions of the GST Act, based on the recommendation of GST Council, amendments have been made in provisions of CGST Act, 2017.
- For helping smaller taxpayers, various amnesty schemes were introduced from time to time in respect of extension in date of return filing, waiver/ reduction of late fee and interest, allowing filing of refunds, filing of appeals with appellate authority, application for revocation of cancellation of registration, etc. beyond the stipulated time period .
- An “Account Aggregator” system and “Public Tech Platform for Frictionless Credit” of RBI has been approved to receive information from the common portal with the taxpayer’s consent. This will help small and medium businesses (MSMEs) get credit or business loans based on their GST registration.