VK Dinesh & Senthilraja

Chartered Accountants

Year End Compliance

FY 2025-26

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Year End Compliance to be Take Care Before 31st March 2026

GST

	Points to be taken care under GST before 31st March 2026	To Do	If Not
1	GST Supplier payment outstanding more than 180 days.	Payment to be Settled to all GST suppliers whose invoice outstanding more than 180 days from the date of Invoice.	ITC on such supply should be reversed along with interest @ 18% p.a and the same can be claimed again only on payment to the supplier.
2	Sale of Vehicles or Other Asset	GST needs to be paid at applicable rate on the profit of sale of vehicles / Asset.	In addition to the GST Interest at the 18% p.a needs to be paid from the due date of payment to actual date of payment.
3	Reversal of Input Tax credit – Rule 42 & 43 of CGST rules.	ITC needs to be reversed on or before the end of financial year for the common ITC used for taxable and exempted supplies to extent used for exempted supplies.	Interest at 18% is to be paid from the 1st day after financial year to the actual reversal date.
4	Reversal of ITC on Ineligible Fixed Assets **(Eg-** ITC on Building and related work contract Exp, False ceiling, Vehicles (except few)	ITC should not be claimed on ineligible Fixed assets. If any ITC claimed, then the same should be reversed.	Otherwise, Pay the ineligible ITC with interest at the rate of 18% Pa.
5	Reversal of Ineligible ITC **(Eg-** ITC on Food & Beverage, Staff related Exp, Rent-a-Cab, Life, Health & Vehicle Insurance, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples, personal use, CSR expenditure	ITC should not be claimed on ineligible Inputs and input services. If any ITC claimed then the same should be reversed.	Otherwise, Pay the ineligible ITC with interest at the rate of 18% Pa.

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6	Maintenance of Stock Ledgers/ Register	All stock statements at the end of period should match with physical stock by doing physical verification at regular intervals.	There is a possibility that in case of GST Inspection or audit the department may raise demand for the difference in stock.
7	Properly disclose the missed-out Sales Invoice in upcoming GSTR-1 before end of this financial year (Eg-Export Sales/SEZ Sales/ Rental Income/Other Income charges Collected)	Ensure Sales figure match between Books of Accounts, GSTR-1 and GSTR-3B and make sure no Reconciliation Item in GSTR 9/9C filing.	Mismatch between GSTR-1 /GSTR-3B / GSTR-9 will have chance to select your case for Audit / Inspection under GST
8	Properly disclose the missed-out Sales Return (Credit Note) in upcoming GSTR-1 before end of this financial year	Ensure Sales Return figure match between Books of Accounts, GSTR-1 and GSTR-3B and make sure no Reconciliation Item in GSTR 9/9C filing.	Mismatch between GSTR-1 /GSTR-3B / GSTR-9 will have change to select your case for Audit / Inspection under GST
9	Taxability of corporate guarantee provided for related persons (sub-rule (2) of Rule 28)	For inter corporate guarantee provided without consideration between Group company, as recommended to charges at least 1% of guarantee value and collect and pay 18% GST on the guarantee amount. This GST is eligible to take as Input Tax credit.	If not collected and pay the GST for corporate guarantee, in the time of audit department may charge the GST for the same, with interest and penalty, in that time you are not allowed to take an input tax credit.
10	Matching of ITC & Cash Ledger with Books of Accounts	Take care that your GSTR filed return and your books of accounts and match with each other.	If not matching, you may incur a penalty for non-maintenance of books of accounts.
11	RCM (Service received from Advocate, Security Services	Take care of any unpaid RCM liability and discharge the liability before the end of	Otherwise, interest liability will arise @18% p.a.

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	from other than company, renting of motor vehicle, from other than company, renting of immovable property, Import of Services from Non-resident also refer RCM notifications - IGST - Notification No. 10/2017-Integrated Tax (Rate) and CGST - Notification No. 13/2017-Central Tax (Rate).	the financial year	
13	GSTR-4 for Composition Scheme Holders for FY 2025-26	For Composition scheme holders GSTR-4 annual return is to be filed and due date of filing is 30th June 2026	Liable to pay late fees 1. **₹50 per day** for other than Nil return (maximum Rs.2,000) 2. **₹20 per day** for **nil returns** (i.e., no transactions for the period) (Maximum of Rs. 500). From July 2025 tax period onwards, GSTR-4 cannot be filed more than 3 years after the original due date
14	Availing the option of Converting from Regular taxpayer to composition scheme and vice versa. Have to opt before start of next FY i.e for FY 2026-27 we have to file the application form by 31-03-2026	Evaluate which scheme is beneficial to your business and file the application by 31-03-2026 for conversion.	If wishes to opt for composition scheme & not done that by due date then you will be liable to pay at applicable rate of tax instead of concessional rates under composition scheme. If vice versa then ITC claim will be ineligible.
15	LUT/Bond Renewal for Exporters	If you are an exporter availing GST exemption, renew the Letter of Undertaking (LUT) before the next financial year starts i.e. for FY 2026-27 before 31st March 2026.	If not filed, then Export Without Payment of IGST Is Not Allowed

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16	E-Invoicing applicability in case the turnover for FY 2025-26 exceeds Rs. 5 crore	If in case your turnover is exceeding Rs.5 crore in FY 2025-26 then from 01-04-2026 e-invoicing is mandatory for all invoices for FY 2025-26	If not done, then the issued invoice is said to be "shall not be treated as an invoice" and liable to a penalty 100% of tax
17	Input service Distributor (ISD) Mandatory registration from FY 2025-26 in case of distinct persons	In case there are multiple GST registrations under same PAN then they are said to distinct persons and it is mandatory to register as ISD and distribute the ITC on common expenses incurred for all branches	If registration not taken, then Rs.20,000 or 10% of Tax penalty will be levied
18	Specified premises: Premises where hotel accommodation services are provided tariff of more than Rs.7,500 per day.	File 1. Annexure VII – For existing registered taxpayers (for next FY) 2. Annexure VIII – For new registration applicants For FY 2026-27→01.01.2026 to 31.03.2026	Restriction on tax rate of 18% for Restaurant services with ITC. The differential tax to be paid out of pocket and ITC also cannot be claimed.
19	Every registered principal who sends goods to a job worker under Section 143*. No turnover exemption. (*A registered principal may: • Send inputs or capital goods to a job worker without paying GST under a delivery challan • And later bring them back, or supply directly from job worker's premises)	ITC – 04 must be file 1. Half-yearly if annual turnover is greater than 5 crore 2. Annually if annual turnover is lesser than 5 crore	General penalty under Sec-125 of CGST Act,2017 of Rs. 50,000/- (CGST-25,000+ SGST-25,000)

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INCOME TAX

	Points to be taken care under GST before 31st March 2026	To Do	If Not
1	TDS deduction and Payment	TDS to be deducted and paid for all TDS applicable Expenses on or before the end of financial year.	o 30% of the Expenditure will be disallowed (i.e., Added back to Profit) for Income Tax computation. o In case of Non-resident 100% of the expenditure will be disallowed (i.e., Added back to profit) for Income Tax computation. o This is in addition to interest for non-deduction.
2	TCS Collection and Payment	TCS needs to be Collected and paid on all transaction for which TCS is applicable on or before the end of financial year.	Interest will be levied for non-collection at 1% P.M.
3	MSME Payment	The buyer who bought goods from **Micro or Small enterprises** (<u>who is a manufacturer or Service provider</u>) shall make payment on or before 45 days (if having the agreement)/ 15 Days (if having no agreement).	a) Buyer did not pay the amount within the mentioned time limit mentioned then he is liable to pay interest at 3 times the bank rate notified by the RBI. b) Disallowance of diture: i) Interest liability paid as mentioned in point (a) will not be allowed as deduction for income computation (i.e., Added back to profit) under income tax act. ii) Expenditure relating to MSME allowed only on

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			payment basis (i.e., Added back to profit) – section 43B of income tax act (WEF 01.04.23)
4	ESI & PF Payment (Employee)	a) PF payment needs to be done on or before 15th of every month. b) ESI payment needs to be done on or before 15th of every month.	PF and ESI payment not made within the due dates as applicable then the same will be disallowed under income tax (i.e., Added back to profits).
5	Bad Debts written-off	Before write-off Proper Mail communication should be there for justifying for collection effort.	If proper communication is not there the claimed Bad Debts may not be allowed by the department, it may add back to the profit for Income Tax Computation
6	Supplier / Customers Balance Confirmation	It is advisable to get the Major Supplier / Customers Ledger for Balance Confirmation before the year. (Also care should be taken for collecting/ paying the balances outstanding for more than a year)	In the time of Income Tax Scrutiny, assessee should establish their transaction with external balance Confirmation other wise expenses may be disallowed.
7.	**March 15th** is the last date for the **final instalments** of advance tax for the financial year 2025-26	Ensure that all outstanding advance tax is paid by this date to avoid interest penalties under **Section 234B** and **Section 234C**.	If not then interest penalties under **Section 234B** and **Section 234C** will be payable.
8	**Updated Return under sec-139(8A)**	If in case ITR for FY 2020-21 is not filed, then due date for filing the updated return is 31st March 2026	Cannot file the ITR and may be selected by the department for income escaping assessment proceedings

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9	**Correction due date for TDS Returns**	Due date for revised returns has been changed from 6 years from the end of the financial year to 2 years from the end of the financial year.	Hence correction statements for FY 2018-19 (Qtr. 4), FY 2019-20 to 2022-23 (Qtr. 1 to Qtr. 4) and FY 2023-24 (Qtr. 1 to Qtr. 3) shall be accepted only up-to 31st March 2026
10	**Deduction of TDS for payments made by a partnership firm / LLP to it's partners**	TDS must be deducted u/s 194T @ 10% if the payments exceed Rs. 20,000/-	30% of the expense will be disallowed u/s 40(a)(ia) if the payment is made to a resident. 100% of the expense will be disallowed if the payment is made to a non resident.

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COMPANIES ACT 2013

	Points taken care Companies Act before 31st March 2026	To Do	If Not
1	Edit Log Implementation	Every company needs to maintain accounting software that should has tracking of audit trail (Edit Log).	Penalty of minimum of Rs.50,000 and maximum of Rs.5,00,000 will be imposed.
2	CSR	Companies for which CSR provisions applicable needs to spend 2% of average 3 net profit of three immediately preceding Financial year. **If CSR not spent with in the FY then if** 1. Ongoing project - Transfer to CSR account (separate bank a/c) within 30 days from the end of FY and it should be spend within 3 FY from the date of transfer sec 135(6) 2. Other than ongoing project - Transfer to specified in Schedule VII within 6 month from the end of FY sec 135(6)	○ Penalty of Rs. 1 Crore or twice the amount required to transferred by the company to CSR fund or Unspent CSR account whichever is less will be levied **on the company**. ○ Penalty of Rs.2 lakh or one-tenth of amount required to transferred by the company to CSR fund or Unspent CSR account whichever is less will be levied on the **officers of the company**
3	Corporate Guarantee or Loan to Other than Pvt Ltd	Companies should take steps while giving loans or guarantee to person other than private ltd companies that it is not in violation of Section 185 of companies act 2023.	Penalty of at least ₹5 lakh, with a maximum of ₹25 lakh, being imposed on the **lending company.** **Any officer** who is in arrears will be punished with either a period of imprisonment that may reach six months or a fine that must not be less than ₹5 lakh but may reach up to ₹25 lakh

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4	Charge Creation / Satisfaction	All companies which are required to create / Satisfy the charge needs to be registered with ROC within 30 days from creation / Satisfaction of charge.	The company shall be liable to a penalty of five lakh rupees Every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.
5	Complying Accounting Standard	Financial Statement to be prepared based on the applicable Accounting Standard	Default in preparing proper financial statements **Company**-Penalty of Rs.3,00,000 **Every officer of the company** -Penalty of Rs.50,000/-
6	Non-disclosure of MSME	All the MSME and Non-MSME supplier to be Bifurcate and maintained in Books for proper disclosure in the Financial Statements	Default in preparing proper financial statements **Company**-Penalty of Rs.3,00,000 **Every officer of the company** -Penalty of Rs.50,000/-
7	Actuarial valuation	Under the **Companies Act, 2013** (along with **Accounting Standard AS-15 / Ind AS-19**), companies are required to obtain an **actuarial valuation** for employee benefit obligations such as: **Gratuity, Leave encashment & Pension / other long-term employee benefits**	Incorrect Financial Statements, Non-compliance with Accounting Standards, Impact on True & Fair View, Auditor may Qualify in his Audit Report

For any clarification or support feel free to contact us …

Thanking You.

Team vkds

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