

Partnership Firm Compliance Manual (For MSMEs)

Updated as on 31 July 2020

BACKGROUND

Dear Reader,

We are existing in a rapidly changing business environment. The pace of change has significantly expanded the business risk canvass forcing regulators and legislators to enforce stringent compliance norms. While the intention of regulators is to manage and mitigate business risks and drive business integrity, the stakeholders are often challenged with a task of monitoring, adhering and managing these compliances to sustain business.

India has undergone significant changes in tax and regulatory legislations and stakeholders (Firm and Partners) are often under pressure to ensure compliances on time. Not meeting compliance could result in stringent liabilities on the business and lead to severe penalties and reputational risks.

In this insight document, we have taken a reasonable attempt to consolidate significant tax and regulatory compliances and their consequences under the following Laws from an MSME sector perspective:

- The Income-tax Act, 1961
- The Goods and Services Tax Acts

We hope this docket works as a quick reference manual to guide you in managing your statutory compliance initiatives. We do not claim that this is a total compliance management handbook and recommend to use this hand-out as a guidance document only.

Therefore, readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication.

Acknowledging also, the generous contribution of *CAPITAIRE Consultants LLP* in drafting this document.

Regards,

#RestartIndia

Income Tax

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
<p>Payment of Advance Tax:</p> <p>Income Tax payable before the end of the financial year, in a progressive manner.</p>	<p>The following are the slabs for payment of advance tax:</p> <ul style="list-style-type: none"> • 15% of the advance tax payable by June 15; • 45% of the advance tax payable by Sep 15; • 75% of the advance tax payable by Dec 15; and • 100% of advance tax payable by Mar 15. 	<p>Default in payment:</p> <ul style="list-style-type: none"> • Interest @1% p.m from 1st April of the following financial year till the date the taxes are paid • Interest for deferment of advance tax – at 1% per month for short payment / nonpayment of individual instalments of advance tax 	<p>Delay in payment of first instalment of advance tax (15%) for the FY 2020-21 shall attract interest at a reduced rate of 0.75% p.m. (9% p.a.), if paid by June 30, 2020.</p> <p>No penalty/ prosecution shall be initiated for these non- payments.</p>
<p>Income Tax Return</p>	<ul style="list-style-type: none"> • On or before July 31 following financial year end • Firm liable to tax audit – October 31 	<ul style="list-style-type: none"> • Rigorous imprisonment • Fine: <ul style="list-style-type: none"> ➤ If return is furnished after December 31 of Assessment Year, fine would be Rs.10,000 ➤ In other cases, fine is Rs.5,000 • Interest @ 1% per month / part of a month 	<p>Due date of Income tax returns for the FY 2019-20 has been extended to November 30, 2020</p> <p>Last date for filing revised and belated Income Tax Returns for the FY 2018-19 has been extended to September 30, 2020.</p>
<p>Payment of self-assessment tax</p> <p>Every Partnership Firm has to deposit the income tax liability as stated in the return of income</p>	<ul style="list-style-type: none"> • To be paid by July 31 of the following financial year. • For Firms subject to Tax audit, October 31 • For Firms subject to Transfer Pricing, November 30 	<p>Treated as assessee-in-default – Penalty of such amount as Assessing Officer may impose but not exceeding the tax payable.</p>	<p>Payment of self-assessment tax can be made without interest up to November 30, 2020, if tax payable does not exceed Rs. 1 lakh.</p> <p>If tax payable exceeds Rs 1 lakh, interest shall be applicable from October 31, 2020</p>

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
<p>Submission of Tax Audit Report:</p> <p>Books of accounts to be audited and report in Form 3CD to be submitted accompanied by tax auditor's certificate in Form No 3CB</p> <p>(Applicable to gross receipts from Business exceeds Rs.1 Crore)</p>	<p>One month prior to due date of filing tax return</p> <p>(On or before September 30 in the year following the financial year end;</p> <p>For Partnership Firms subject to Transfer Pricing, due date is October 31)</p>	<ul style="list-style-type: none"> Penalty 0.5% of the Turnover / Gross Receipts or Rs. 150,000, whichever is lower. 	<p>Due date for furnishing Tax Audit Report for FY 2019-20 has been extended to October 31, 2020.</p>
<p>Payment of TDS:</p> <ul style="list-style-type: none"> Salary Rent / Interest Payments to Contractors Fee for Technical services / Royalties Commission / Brokerage Payments to Non-residents 	<ul style="list-style-type: none"> 07th of next month For the month of March – April 30 	<ul style="list-style-type: none"> Disallowance - 30% of expenditure (100% in case of Payments to Non-resident) Default in deduction: <ul style="list-style-type: none"> Interest @1% p.m Penalty – Amount equal to TDS Default in payment: <ul style="list-style-type: none"> Interest @1.5% p.m Penalty – Amount equal to TDS Rigorous imprisonment and fine - Min term 3 Months; Max term 7 Years 	<p>Delay in payment of TDS which are due for payment from March 20, 2020 to June 29, 2020 shall attract interest at a reduced rate of 0.75% p.m. (9% p.a.), if paid by June 30, 2020.</p> <p>No penalty/ prosecution shall be initiated for these non- payments.</p>
<p>Submission of Quarterly TDS Returns:</p> <ul style="list-style-type: none"> On non-resident payments (Form 27Q) On salary payments (Form 24Q) On other payments (Form 26Q) 	<ul style="list-style-type: none"> Q1 (Apr to Jun) - 31 July Q2 (Jul to Sep) - 31 Oct Q3 (Oct to Dec) - 31 Jan Q4 (Jan to Mar) - 31 May 	<ul style="list-style-type: none"> Late filing fee - Rs 200 per day of default Penalty in a range of Rs 10,000 to Rs 1 lakh Payee will not be able to claim TDS credit 	<p>Due date for furnishing TDS Returns has been extended as follows:</p> <ul style="list-style-type: none"> Q4 of FY 2019-20 - July 31, 2020; Q1 and Q2 of FY 2020-21 – March 31, 2021

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
<p>Certificates evidencing taxes deducted from payments other than salary, to be issued to the payees</p> <p>Form 16A</p>	<ul style="list-style-type: none"> Q1 (Apr to Jun) - 15 Aug Q2 (July to Sep) - 15 Nov Q3 (Oct to Dec) - 15 Feb Q4 (Jan to Mar) - 15 June 	<ul style="list-style-type: none"> Penalty – Rs 100 for every day during which failure continues 	<p>Due date for issuance of Form 16 for FY 2019-20 has been extended to August 15, 2020</p>
<p>Certificates evidencing taxes deducted from salary payments, to be issued to employees</p> <p>Form 16</p>	<ul style="list-style-type: none"> By 15 June of the next Financial Year 	<ul style="list-style-type: none"> Penalty – Rs 100 for every day during which failure continues 	<p>Due date for issuance of Form 16 for FY 2019-20 has been extended to August 15, 2020</p>
<p>Payment of TCS</p>	<ul style="list-style-type: none"> 07th of next month For the month of March – 30 April 	<ul style="list-style-type: none"> Penalty equal to amount of TCS 	<p>Delay in payment of TCS which are due for payment from March 20, 2020 to June 29, 2020 shall attract interest at a reduced rate of 0.75% p.m. (9% p.a.), if paid by June 30, 2020.</p> <p>No penalty/ prosecution shall be initiated for these non- payments.</p>
<p>Submission of Quarterly TCS Returns</p> <p>Form 27EQ</p>	<ul style="list-style-type: none"> Q1 (Apr to Jun) - 15 July Q2 (July to Sep) - 15 Oct Q3 (Oct to Dec) - 15 Jan Q4 (Jan to Mar) - 15 May 	<ul style="list-style-type: none"> Late filing fee - Rs 200 per day of default Penalty in a range of Rs 10,000 to Rs 100,000 	<p>Due date for furnishing TCS Returns has been extended as follows:</p> <ul style="list-style-type: none"> Q4 of FY 2019-20 - July 31, 2020; Q1 and Q2 of FY 2020-21 – March 31, 2021
<p>Certificate evidencing collection of TCS</p>	<ul style="list-style-type: none"> Q1 (Apr to Jun) - 31 July Q2 (July to Sep) - 30 Oct Q3 (Oct to Dec) - 30 Jan Q4 (Jan to Mar) - 30 May 	<ul style="list-style-type: none"> Penalty – Rs 100 for every day during which failure continues 	<p>Issuance of TCS Certificate for Q4 of the FY 2019- 20 extended to August 15, 2020</p>
<p>AMT Certificate: Every Partnership Firm paying tax under AMT is required to furnish Form 29C, certified by a CA</p>	<p>To be obtained before furnishing of Return of Income</p>		

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
Non-resident payments	Any person responsible to make payment to a non-resident, shall furnish information in Form 15CA and Form 15CB	Penalty of Rs 100,000	
Statement of Financial Transactions (SFT): Applicable for firms liable to tax audit	By May 31 following financial year end	Penalty - Rs 500 per day from the expiry of original due date till due date in notice and Rs 1,000 per day beyond the due date specified in the notice	Due date for submission of statement for FY 2019-20 extended to March 31, 2021

Income Tax – Transfer Pricing

Compliance	Due Date	Consequence of non-compliance
<p>Transfer Pricing Certificate: Partnership Firm, who has entered into international transactions or specified domestic transactions ('SDT') with its Associated Enterprise is required to furnish a certificate in Form 3CEB</p> <p>Transfer Pricing Documentation: Partnership Firm is required to maintain prescribed documentation in respect of international transactions or SDT entered into by it with its associated enterprise during the year.</p>	<ul style="list-style-type: none"> • One month prior to due date of filing tax return (On or before 31 Oct of the year following the financial year end) • To be prepared before obtaining the Transfer Pricing Certificate 	<ul style="list-style-type: none"> • Penalty of Rs. 100,000 • Failure to maintain requisite documents – 2% of the value of the international transaction or SDT • Failure to furnish requisite documents during the assessment proceedings – 2% of the value of the international transaction or SDT

GST

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
Furnishing details of outward Supplies: Form GSTR-1	Normal Partnership Firms having turnover up to Rs 1.5 crore and opted for quarterly filing – 30 th of the month following the end of the quarter. Others - 11 th of the subsequent month	<ul style="list-style-type: none"> • Late fee: <ul style="list-style-type: none"> ➤ Normal Return: Rs 200 per day of delay subject to maximum Rs 5,000 ➤ Nil Return: Rs 100 per day of delay Reduction in late fee vide Notification: <ul style="list-style-type: none"> ➤ Normal Return: Rs 50 per day of delay ➤ Nil Return: Rs 20 per day of delay • Interest on late payment of GST due @ 18% p.a. • If GST return is not filed, subsequent returns cannot be filed which results in cascading effect leading to heavy fines and penalties • Input tax credit cannot be claimed 	For extended due dates for GSTR-1, Refer Annexure 1
Monthly GST return and the payment of GST: In General -Form 3B	20 th of the following month (Monthly)		<ul style="list-style-type: none"> • For extended due dates for GSTR-3B, Refer Annexure 2 • The option to file GSTR-3B by EVC instead of DSC is made available on GSTN portal. • Relief from restricting ITC claim to 110% of GSTR-2A. The cumulative compliance for the period February to August 2020 have to be furnished in Form GSTR-3B of September 2020.
Quarterly GST Return and payment of GST under Composition Scheme: Form CMP-08	18 th of the month following the Quarter (Quarterly)		<ul style="list-style-type: none"> • Due date for filing CMP-08 for quarter ending March 2020 extended to July 07, 2020
Return to be filed annually under Composition Scheme: GSTR-4	April 30 following financial year end		<ul style="list-style-type: none"> • Due date for filing GSTR-4 for FY 2019-20 extended to July 15, 2020.
GST Return and payment of GST by an Input Service Distributor: Form GSTR-6	20 th of the following month (Monthly)		
Monthly GST Return and payment of TDS under GST: Form GSTR-7	10 th of the following month (Monthly)		

Compliance	Due Date	Consequence of non-compliance	COVID-19 Relaxations
Monthly GST Return and payment of TCS under GST: Form GSTR-8	10 th of the following month (Monthly)		
Annual Return: Normal Partnership Firm: Form GSTR-9 Composition Partnership Firm: Form GSTR-9A E-Commerce Operator: Form GSTR-9B	31 st December of the next Financial Year	<ul style="list-style-type: none"> Late fee of Rs 100 per day per Act i.e., Rs 200 per day subject to maximum 0.25% of turnover in the State or Union Territory. Interest will be paid at of 18% per annum. It will be calculated by the Partnership Firm on account of outstanding tax to be paid. 	Date for filing GST Annual Return for FY 2018-19 has been extended to September 30, 2020.
GST Audit: Applicable to Normal Partnership Firm having aggregate turnover > Rs 2 Crores Form GSTR-9C	31 st December of the next Financial Year	<ul style="list-style-type: none"> Interest @ 18% Failure to deposit GST beyond 3 months: Penalty of Rs 10,000 or an amount equal to tax evaded, whichever is higher 	Date for GST Audit for FY 2018-19 has been extended to September 30, 2020.
Deposit of GST	Normal Partnership Firm – 20 th of the following month. Composition Partnership Firms – 18 th of the month following the quarter	<ul style="list-style-type: none"> Interest @ 18% Failure to deposit GST beyond 3 months: Penalty of Rs 10,000 or an amount equal to tax evaded, whichever is higher 	For extended dates of filing GSTR-3B by normal Partnership Firm, Annexure 2
Maintenance of separate accounts and other documents: In case of multiple places of business (as per the registration certificate), the accounts shall be maintained at the respective place of business.		Penalty of Rs 10,000 or an amount equal to tax evaded, whichever is higher	

Annexure 1: GSTR-1 COVID-19 Relaxations

Class of registered persons	Tax Period	COVID-19 Relaxation: Late fee Waiver Up to
Partnership Firms having aggregate turnover ≤ Rs 1.5 crores in the preceding financial year	January to March 2020: Quarterly filing	July 17, 2020
	April to June 2020: Quarterly filing	August 03, 2020
	March, 2020	July 10, 2020
	April, 2020	July 24, 2020
	May, 2020	July 28, 2020
	June, 2020	August 05, 2020
Partnership Firms having aggregate turnover > Rs 1.5 crores in the preceding financial year.	March, 2020	July 10, 2020
	April, 2020	July 24, 2020
	May, 2020	July 28, 2020
	June, 2020	August 05, 2020

Annexure 2: GSTR-3B COVID-19 Relaxations

Class of registered persons	Tax Period	COVID-19 Relaxations		
		Nil Interest Up to	9% Interest (After Nil interest period) Up to	Late Fee Waiver
All Partnership Firms	July 2017 to Jan 2020			If filed between July 01, 2020 to Sept 30, 2020: <ul style="list-style-type: none"> • If no tax is payable – Nil • Where tax is payable – Max Rs 250
Firms having turnover > Rs 5 crores in the preceding financial year	February 2020	April 04, 2020	June 24, 2020	If returns are filed by September 30, 2020: <ul style="list-style-type: none"> • If no tax is payable – Nil • Where tax is payable – Max Rs 500
	March 2020	May 05, 2020		
	April 2020	June 04, 2020		
	May 2020	June 27, 2020	N.A.	
Firms having turnover ≤ 5 crores in the preceding financial year, whose principal place of business is in Category A States	February, 2020	June 30, 2020	Sep 30, 2020	
	March, 2020	July 03, 2020		
	April, 2020	July 06, 2020		
	May, 2020	Sept 12, 2020		
	June, 2020	Sept 23, 2020		
Firms having turnover ≤ Rs 5 crores in the preceding financial year, whose principal place of business is in the Category B States	February, 2020	Jun 30, 2020	Sep 30, 2020	
	March, 2020	July 05, 2020		
	April, 2020	July 09, 2020		
	May, 2020	Sept 15, 2020		
	June, 2020	Sept 25, 2020		
	July, 2020	Sept 29, 2020		

Category A – States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep

Category B – States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh and Delhi