

**Question No.8 and Question No.12 given on page No. 108 and 111 of 7<sup>th</sup> Edition are amended**

**Question : Explain Cancellation [or suspension] of registration .**

**Answer: As per Section 29.**

- (1) The proper officer may,
- (i) either on his own motion or
  - (ii) on an application filed by the registered person or
  - (iii) on an application filed by his legal heirs, in case of death of such person, cancel the registration, where,—
- (a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
  - (b) there is any change in the constitution of the business; or
  - (c) the taxable person is no longer liable to be registered under section 22 or section 24 or intends to optout of the registration voluntarily made under sub-section (3) of section 25:
- (2) The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—
- (a) a registered person has contravened such provisions of the Act or the rules; or
  - (b) a person paying tax under section 10 (Composition Scheme) has not furnished returns for three consecutive tax periods; or
  - (c) any registered person, other than a person covered under composition scheme, has not furnished returns for a continuous period of six months; or
  - (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
  - (e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts:

Registration can be cancelled in the cases given under rule 21 i.e. where:

- (a) does not conduct any business from the declared place of business; or
- (b) issues invoice or bill without supply of goods or services or both in violation of the provisions of the Act, or the rules made thereunder; or
- (c) violates the provisions of section 171 of the Act or the rules made thereunder.
- (d) violates the provision of rule 10A. As per rule 10A, after a certificate of registration in **FORM GST REG-06** has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person, shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision. Eg. if registration is granted on 01-05-2020, bank details should be given upto 14<sup>th</sup> June 2020 or 20<sup>th</sup> June 2020 whichever is earlier i.e. 14<sup>th</sup> June 2020
- (e) avails input tax credit in violation of the provisions of section 16 of the Act
- (f) furnishes the details of outward supplies in **FORM GSTR-1** under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 (GSTR 3B) for the said tax periods; or
- (g) violates the provision of rule 86B.

(3) The cancellation of registration under this section shall not affect the liability of the person to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.

(4) The cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a cancellation of registration under this Act.

(5) Every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher, calculated in such manner as may be prescribed:

**Provided** that in case of capital goods or plant and machinery, the taxable person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery, reduced by such percentage points as prescribed under rule 44 or the tax on the transaction value of such capital goods or plant and machinery under section 15, whichever is higher.

#### **Application for cancellation of registration Rule 20**

A registered person, shall electronically submit an application in FORM GST REG-16, including therein the details of inputs held in stock or inputs contained in semi-finished or finished goods held in stock and of capital goods held in stock on the date from which the cancellation of registration is sought, liability thereon, the details of the payment, if any, made against such liability and may furnish, along with the application, relevant documents in support thereof, at the common portal within a period of thirty days of the occurrence of the event warranting the cancellation.

#### **Suspension of registration Rule 21A**

(1) Where a registered person has applied for cancellation of registration under rule 20, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration under rule 22.

(2) Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled under section 29 or under rule 21, he may, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration under rule 22.

(2A) Where, a comparison of the returns furnished by a registered person under section 39 with

- (a) the details of outward supplies furnished in **FORM GSTR-1**; or
- (b) the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their **FORM GSTR-1**,

or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the Act or the rules made thereunder, leading to cancellation of registration of the said person, his registration shall be suspended and the said person shall be intimated in **FORM GST REG-31**, electronically, on the common portal, or by sending a communication to his e-mail address provided at the time of registration or as amended from time to time, highlighting the said differences and anomalies and asking him to explain, within a period of thirty days, as to why his registration shall not be cancelled.

(3) A registered person, whose registration has been suspended under sub-rule (1) or sub-rule (2), or sub-rule (2A) shall not make any taxable supply during the period of suspension and shall not be required to furnish any return under section 39.

Explanation.-For the purposes of this sub-rule, the expression "shall not make any taxable supply" shall mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension.

(3A) A registered person, whose registration has been suspended under sub-rule (2) or sub-rule (2A), shall not be granted any refund under section 54, during the period of suspension of his registration.

(4) The suspension of registration under sub-rule (1) or sub-rule (2) or sub-rule (2A) shall be deemed to be revoked upon completion of the proceedings by the proper officer under rule 22 and such revocation shall be effective from the date on which the suspension had come into effect:

**Provided** that the suspension of registration under this rule may be revoked by the proper officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.

(5) Where any order having the effect of revocation of suspension of registration has been passed, the provisions of clause (a) of sub-section (3) of section 31 and section 40 in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.

#### **Cancellation of registration Rule 22**

(1) Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled, he shall issue a notice to such person in **FORM GST REG-17**, requiring him to show cause, within a period

of seven working days from the date of the service of such notice, as to why his registration shall not be cancelled.

(2) The reply to the show cause notice issued shall be furnished in **FORM REG-18** within the period specified.

(3) Where a person who has submitted an application for cancellation of his registration is no longer liable to be registered or his registration is liable to be cancelled, the proper officer shall issue an order in **FORM GST REG-19**, within a period of thirty days from the date of application. or, as the case may be, the date of the reply to the show cause issued, cancel the registration, with effect from a date to be determined by him and notify the taxable person, directing him to pay arrears of any tax, interest or penalty including the amount liable to be paid under sub section (5) of section 29.

(4) Where the reply furnished is found to be satisfactory, the proper officer shall drop the proceedings and pass an order in **FORM GST REG -20**:

**Provided** that where the person instead of replying to the notice for contravention of the provisions furnishes all the pending returns and makes full payment of the tax dues along with applicable interest and late fee, the proper officer shall drop the proceedings and pass an order in **FORM GST-REG 20**.

(5) The provisions shall, mutatis mutandis, apply to the legal heirs of a deceased proprietor, as if the application had been submitted by the proprietor himself.

**Example:** The proper officer cancelled the registration of Naman Associates on 11th October. The tax dues of Naman Associates for July-September quarter (determined by the proper officer on 16th December) are ₹50,000. The cancellation of registration of Naman Associates shall have no effect on his liability of tax dues of ₹ 50,000 even though the tax dues are determined after the cancellation of registration.