



GUIDANCE NOTE ON

GST AUDIT



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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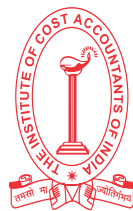
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Objectives of Taxation Committee:


1. Preparation of Suggestions and Analysis of various Tax matters for best Management Practices and for the professional development of the members of the Institute in the field of Taxation.
2. Conducting webinars, seminars and conferences etc. on various taxation related matters as per relevance to the profession and use by various stakeholders.
3. Submit representations to the Ministry from time to time for the betterment and financial inclusion of the Economy.
4. Evaluating opportunities for CMAs to make way for further development and sustenance of the opportunities.
5. Conducting and monitoring of Certificate Courses on Direct and Indirect Tax for members, practitioners and stake holders.

GUIDANCE NOTE ON GST AUDIT



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COST ACCOUNTANTS OF INDIA**

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President's Message

It gives me immense pleasure to share that the Taxation Committee of the Institute has come out with the Revised Edition on "Guidance Note on GST Audit" to provide necessary information and guidance to Cost Accountants.

The GST Law provides for self-assessment to facilitate easy compliance and payment of taxes. It also explains the notices, the demand and recovery provisions when the taxes are unpaid, short paid and/or returns are not filed. Audit under GST is the examination of records maintained by a registered assessee. The aim is to verify the correctness of information declared, taxes paid and to assess the compliance with GST. Every registered assessee whose turnover during a financial year exceeds ₹ 2 crore has to get his accounts audited by a CMA or a CA. A Guidance Note on GST Audit surely will assist our members in resolving any issues that might arise while conducting audit.

I congratulate CMA Niranjan Mishra, Chairman- Taxation Committee for bringing out this revised "Guidance note on GST Audit". Commendable job by the entire Tax Research Team. My best wishes to Taxation Committee for its all future endeavours.

With Warm Regards,

CMA Amit A. Apte
21st December, 2018

Message From Chairman



GST is an integrated scheme of taxation that does not discriminate between goods and services and is a part of the tax reforms that centre on evolving an efficient and harmonized consumption tax system in the country. GST would replace the plethora of indirect taxes including service tax, central excise duty, additional excise and customs duties, central surcharges and cesses, state VAT, state sales tax, entertainment tax not levied by local bodies, luxury tax, taxes on lottery, betting and gambling, tax on advertisements and state cesses and surcharges related to supply of goods and services. As these taxes have been quite ineffective and have suffered from a litany of infirmities, including exemptions and multiple rates, GST is expected to transform the labyrinthine patchwork of taxes to a lean, streamlined process. The actual impact and effect of GST on various items has been huge but we know that the overall impact on Indian Economy has been very positive.

Bringing out the revised edition of “Guidance note on GST Audit” was surely a praise-worthy initiative by TRD. I am elated to know that the Manual would be a comprehensive guide and would include the principles and policies of audit along with the latest developments, announcements and amendments. This will serve as a very good knowledge and information source, particularly when the stress is on the need of information on GST Audit on a day-to-day basis.

I congratulate Team – Tax Research, commendable job by the entire Team. I am happy and would like to congratulate other members of the Taxation Committee and knowledge contributors of the Institute for their efforts to bring this out. CMA T K Jagannathan and CMA Amit Sarker deserve a special mention here for their untiring efforts in bringing out this publication. My best wishes to all for its all future endeavours. Keep up the good job.

A handwritten signature in black ink, appearing to read 'Niranjana Mishra'.

CMA Niranjana Mishra

21st December, 2018

Preface

The GST laws provide for a mandatory audit to be undertaken by every registered person whose aggregate turnover during a financial year exceeds ₹2 crore. The audit is required to be carried out by a chartered accountant or a cost accountant, who is required to certify “whether in his opinion and to the best of his information and according to examination of books of account including other relevant documents and explanations given to him, the particulars given in the said form No.9C are true and correct subject to observations/qualifications, if any”. Form GSTR-9C has been notified which requires reconciliations to be done for taxable turnover, input tax credit and tax paid. Another requirement by the corporates is that of filing of annual return in form GSTR-9.

The GST audit approach should be divided into phases to include (a) position review, (b) reconciliations and certification and (c) GST process review—focused on technology enhancements to achieve the desired reporting requirements and technology driven validations. It is noteworthy that, currently, the government is further ahead on technology than the industry, and there is a need for companies to gear up on this front to ensure hassle-free compliance going forwards.

While planning the timelines for the GST audit, the taxpayers need to factor in some key deadlines prescribed under the GST law. The last date for filing the annual return is December 31, 2018, and the GST audit report is required to be submitted along with the annual return. In addition, corporates are also reeling under the pressure of carrying out the credit matching which needs to be done before the filing of returns for the month of September 2018.

There are many minute details in these aspects of GST Audit which are needed to be handled carefully. Professionals dealing in this field would surely find this handbook an easy source of information to fall back up during their professional deliberations.

Here, we would also like to thank and acknowledge the immense contributions of **CMA T K Jagannathan** and **CMA Amit Sarker** without whose hard work, toil and guidance the handbook could have never acquired its shape. The department is indebted to them for their contributions. CMA Niranjan Mishra, Chairman – Taxation Committee has been our guiding star. Thank you Sir.

Tax Research Department
The Institute of Cost Accountants of India

21st December, 2018

Acknowledgement

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GST IN INDIA

The introduction of Goods and Services Tax on 1st July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market.

Salient Features of GST:

GST is applicable on “supply” of goods or services as against the concept of tax on manufacture of goods or on sale of goods or on provision of services.

GST is also a destination-based consumption Taxation as opposed to the origin based VAT system prior to the introduction of GST.

It is a dual GST with the Centre and the States simultaneously levying it on a common base. The GST levied by the Centre is called Central GST (central tax- CGST) and that levied by the States [including Union territories with legislature] is called State GST (state tax- SGST). Union territories without legislature levy Union territory GST (union territory tax- UTGST).

An Integrated GST (integrated tax- IGST) is levied on inter-State supply (including stock transfers) of goods or services. This is collected by the Centre so that the credit chain is not disrupted.

Import of goods is treated as inter-State supplies and is subject to IGST in addition to the applicable customs duties.

Import of services is treated as inter-State supplies and is subject to IGST. CGST, SGST /UTGST & IGST is levied at rates which are mutually agreed upon by the Centre and the States under the aegis of the GSTC.

GST applies to all goods and services except Alcohol for human consumption.

Taxpayers with an annual turnover of ₹20 lakh (₹10 lakh for special category States (except J&K) as specified in article 279A of the Constitution) would be exempt from GST.

A composition scheme (i.e. to pay tax at a flat rate without credits) is available to small taxpayers (including to manufacturers other than specified category of manufacturers and service providers) having an annual turnover of up to ₹1 crore (₹75 lakh for special category States (except J&K and Uttarakhand) enumerated in article 279A of the Constitution). This limit shall be raised to ₹1.5 crore after necessary amendments in the Act. The threshold exemption and compounding scheme would be optional.



All Exports and supplies to SEZs and SEZ units would be zero-rated.

Credit of CGST paid on inputs shall be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs shall be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit is permitted to be utilized in the following manner:

- a) ITC of CGST allowed for payment of CGST & IGST in that order;
- b) ITC of SGST allowed for payment of SGST & IGST in that order;
- c) ITC of UTGST allowed for payment of UTGST & IGST in that order;
- d) ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order.

ITC of CGST cannot be used for payment of SGST/UTGST and vice-versa.

Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.

Audit of registered persons to be conducted in order to verify compliance with the provisions of Act.



AUDIT

According to Section 2(13) of the GST Act, 2017, ‘**audit**’ implies –

- (a) Detailed examination of records, returns and other documents -
 - (i) maintained/furnished by a taxable person,
 - (ii) under GST law/any other law or rules;
- (b) Verification of correctness of -
 - (i) turnover declared;
 - (ii) taxes paid;
 - (iii) refund claimed;
 - (iv) input tax credit availed; and
 - (v) assessment of compliances with provisions of GST law and rules.

GST audit is not only reconciliation of tax liability & payment, it also signifies compliance of the provisions of the GST act, law and provisions etc.

Relevant Provisions:

Section 35(5): Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.

Section 44(2): Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.

Rule 80(3): Every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Audit by tax authorities:

Sec. 65 (1) The Commissioner or any officer authorized by him, by way of a general or a specific order, may undertake audit of any registered person for



such period, at such frequency and in such manner as may be prescribed.

Special audit:

Sec.66 (1) If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of accounts examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner.

Access to business premises:

Sec. 71

- (1) Any officer under this Act, authorized by the proper officer not below the rank of Joint Commissioner, shall have access to any place of business of a registered person to inspect books of account, documents, computers, computer programs, computer software whether reinstalled in a computer or otherwise and such other things as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.
- (2) Every person in charge of place referred to in sub-section(1) shall, on demand, make available to the officer authorized under sub-section(1) or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66—
 - i. such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed;
 - ii. trial balance or its equivalent;
 - iii. statements of annual financial accounts, duly audited, wherever required;
 - iv. cost audit report, if any, under section 148 of the Companies Act, 2013;
 - v. the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961; and
 - vi. any other relevant record.

General Guidelines to conduct Audit:

Qualified Cost Accountant or Chartered Accountant is authorized to certify GST Audit Report & for that purpose they should understand their powers, roles and responsibilities regarding this.

Duties of Auditors

- ❑ The auditor is responsible for detection of non-compliance, procedural irregularities and leakage of revenue through examining Trial Balance, Journal, Ledger, Invoice, Stock Ledger, Annual Financial Accounts & other audit reports.
- ❑ They have to analyze Part V of Form GSTR 9C using their professional diligence, skill, knowledge.
- ❑ Their role is not like watchdog, rather they have only recommendatory power while furnishing their report.
- ❑ They have to take care to determine of any additional tax which may be payable by the taxpayer in his opinion.
- ❑ Auditor has to look whether the company is maintaining their accounts in ERP System properly or not and whether the maintenance procedure of accounting system of company is reliable or not.
- ❑ Auditor has to evaluate Internal Control System to determine the necessity of conducting audit in detailed manner.
- ❑ An auditor may gain about a working procedure of a company
 - ❑ By discussion with various managers
 - ❑ By going through documents like procedure manuals, organization charts, job descriptions, flow-charts and records maintained.
- ❑ In the case of first audit, the auditor needs to maintain detailed written record of his observations of the internal control system.
- ❑ During these verifications, the following information should be correctly obtained and recorded.
 - (i) Whether any input is exclusively consumed for fully exempted supplies.
 - (ii) Whether any inputs consumed for fully exempted as well as taxable supplies.
 - (iii) Whether any Capital goods on which input credit is availed are exclusively used for fully exempted supplies.

Responsibilities of Auditors

- ❑ Auditor's main responsibility in relation to fill up GSTR-9C is to reconcile the audited financials with the annual return (GSTR 9, GSTR-9B)
- ❑ The auditor has to determine whether any amount is to be paid by taxpayer that has been arisen due to non-reconciliation between the audited financials with the annual return or not .
- ❑ The Auditor has to disclose any leakage in revenue which may result in non payment or lower payment of tax liability.



- ❑ The auditor will have to conclude his view on all issues raised during audit with due evaluation of the applicable GST provisions and also keeping in mind prevalent trade practices, the economic realities as also the industry and business environment in which the Taxable Person operates.
- ❑ Auditor may have to physically examine various documents for maintaining transparency in total audit procedure.

Scope of the Auditor

- ❑ The scope of Auditor is restricted to reconcile the turnover reported in financial accounts and the GST returns and also report any the additional liability which may arise due to non-reconciliation.
- ❑ He is not required to play the role of an investigator to determine undisclosed supplies which are neither reported in the annual return nor in the financial statements.
- ❑ The auditors have to disclose only the errors or omissions which has been noticed by him at the time of performing audit as per the standards of auditing.

Role of the Auditor

An auditor is required to verify the following matters before finalisation of the books of accounts Analysis of GSTR -9C.

Registration

- ❑ Whether registration has been obtained as per GST Law
- ❑ Whether the amended certificate has been issued by giving effect of correction/changes made in the particulars incorporated in the application form.
- ❑ Whether details of each place of business have been incorporated in the registration certificate?

Transitional Credit

- ❑ Whether transitional credit as carried forward in Form GSTTRAN-I is in accordance with the law?
- ❑ Whether credit carried forward inappropriately has been reversed along with applicable interest?

Valuation and Payment of tax liability and review of GST returns filed

- ❑ Whether valuation has been done as per provisions of law
- ❑ Whether applicable taxes both under forward charge and reverse charge has been correctly discharged under the correct head or not
- ❑ Whether there is any short payment of tax
- ❑ Whether payment of GST under forward Charge as well as reverse charge has been made on time

- Whether GST is paid on receipt of advances, requisite documents have been issued at the time of receipt thereof and proper adjustment thereof has been made at the time of issuance of final invoice?
- Whether interest liability has been discharged in case of delay in payment of taxes?
- Whether all GST returns have been filed correctly with complete particulars and within the due date?
- Whether GSTR 1 and GSTR3B tallies with the books of account?

Input Tax Credit

- Whether ITC has been availed as per the provisions of law?
- Whether reversal of ITC claimed done if payment not made within 180 days?
- Whether the supplier has reported the invoice on the basis of which ITC has been availed by the recipient in his GSTR-1 and the same is being reflected in Form GSTR-2A of the recipient?

Turnover

- Whether the turnover declared in the GST returns are in consonance with that declared in the books of accounts?

Refund

- Whether the refund claimed, if any has been claimed in pursuance of the provisions of GST law?
- Whether the documentation aspect necessary for filing the claim for refund has been undertaken in accordance with law?

Documents:

- Whether the tax invoice, debit and credit notes, receipt voucher etc. have been issued in accordance with the provisions of law?
- Whether all the tax invoices and other documents issued for the supply of goods or services or both have been accounted for in the books of accounts and reported in the GST Returns?
- Whether e-way bill, wherever applicable has been issued and duly recorded in the books of accounts and also to verify whether there is any variance in the data recorded in the e-way bill and the corresponding tax invoice?
- Whether HSN code has been correctly mentioned (specifically in case of mandatory cases i.e. where the turnover exceeds Rs. 1.5 crores) in the documents issued or received under the Act?
- In case of any difference arising at the time of reconciliation of ITC claimed between GSTR 3B & GSTR 2A has been done
- Whether any action has been taken against such suppliers who do not pay GST on time and/or file returns on time since it is necessary to protect the interest of the recipient of goods or



services or both .

- Whether the provisions of Section 171 of the CGST Act 2017(Anti profiteering) has been followed and accordingly that benefit of the additional input tax credit as well as the benefit of the tax reduction is passed on?

Imports related verification

IGST paid details is to be checked with respect to ITC in the ICEGATE portal pertaining to Import of goods. .

Exports related verification

- From ICEGATE Portal, details of Shipping Bill Number, Shipping Bill Date, Port Code, Invoice Number & Invoice date are to be checked.
- Some corrections may be needed either in the books of accounts, returns or there may be requirement of amendment in Shipping bills.

Stage wise action for audit

- i. Preparation/updating of Taxable Person master file containing comprehensive Taxable Person profile.
- ii. Collection of all relevant documents, data reconciliation statement and reply to questionnaire.
- iii. Desk review on the basis of relevant documents and interview of the Taxable Person.
- iv. Formulation and approval of audit plan based on desk review.
- v. Conducting audit verification on the basis of the approved audit plan.
- vi. Suggestions on correction/improvements to Taxable Person for future guidance.
- vii. Preparation of draft audit report and its submission, along with working papers for discussion.
- viii. Issue of final audit report.
- ix. Follow up action, for monitoring the compliance of various points.

Applicability of Annual Return

All registered dealers are required to file annual return except the followings

- Govt. Departments because their accounts are audited by CAG
- Casual Taxable persons because they do business for 6 months only.
- Non –Resident Taxable persons because they are allotted specialized & Unique Identification No.
- Input Service Distributors Only.

Important Aspects regarding Annual Return & Audit

- ❑ A registered person (except Govt. Departments, Casual Taxable persons, Input Service Distributors, E-Commerce Operators, Composition Dealers) whose turnover in last F.Y 2017-18 is upto Rs.2 Crores shall upload GSTR-9(Annual Return)
- ❑ If aggregate turnover on all over India basis registered on same PAN exceeds Rs. 2 Crores, then at first GSTR-9 & THEN gstr-9c to be uploaded.
- ❑ If turnover in a state does not exceed Rs. 2 Crores, but aggregate turnover with other states registered on same PAN exceeds Rs. 2 crores, then all branches or H.O shall have to upload GSTR-9 and GSTR-9C whether or not Turnover exceeds Rs. 2 Crores with respect to individual turnover.
- ❑ In case of switchover from composition to regular or vice-versa, then GSTR-9A & GSTR-9 are required to be uploaded for the relevant period simultaneously.
- ❑ If there is no sale & purchase during F.Y 2017-18, THEN nil Annual return is required to be uploaded.
- ❑ All dealers whose registration are cancelled or pending as on 31.03.2018 and were registered for any day during F.Y 2017-18, they have to file annual return.

Analysis of GSTR-9 (For Regular Taxpayers)

PART- I	Basic Details
PART- II	Details of Outward & Inward Supplies declared during F.Y
PART- III	Details of ITC as declared during F.Y as per return
PART- IV	Details of Tax paid as declared in return filed during F.Y
PART- V	Particulars of the transactions for the previous F.Y declared in return of April to September of Current F.Y or up to date of filing return of previous year whichever is earlier
PART- V	Other Information

Analysis of GSTR-9A (For Composite Taxpayers)

PART- I	Basic Details
PART- II	Details of Outward & Inward Supplies declared in return filed during F.Y
PART- III	Details of Tax paid as declared in return filed during F.Y
PART- IV	Particulars of the transactions for the previous F.Y declared in return of April to September of Current F.Y or up to date of filing return of previous year whichever is earlier
PART- V	Other Information



Significant Concepts and Definitions under GST

Taxable Event in GST

'Taxable event' is that on happening of which the charge is fixed. It is that event, which on its occurrence creates or attracts the liability of tax. Such liability does not accrue at any earlier or later point of time.

Tax becomes payable when liability to pay tax arises and liability to pay tax arises by the happening of the taxable event.

Supply under GST Law (Section -7)

Section 7(1)(a)	All forms of supply of goods or services or both as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by person in the course or furtherance of business.
Section 7(1)(b)	Import of services for a consideration whether or not in the course or furtherance of business.
Section 7(1)(c)	The activities specified in Schedule I, made or agreed to be made without a consideration
Section 7(1)(d)	The activities to be treated as supply of goods or supply of services as referred to in Schedule II.
Schedule I	Activities to be Treated as Supply Even if Made Without Consideration
Schedule II	Activities to be Treated as Supply of Goods or Supply of Services
Schedule III	Activities or Transactions Which Shall be Treated Neither as A Supply of Goods Nor a Supply of Services

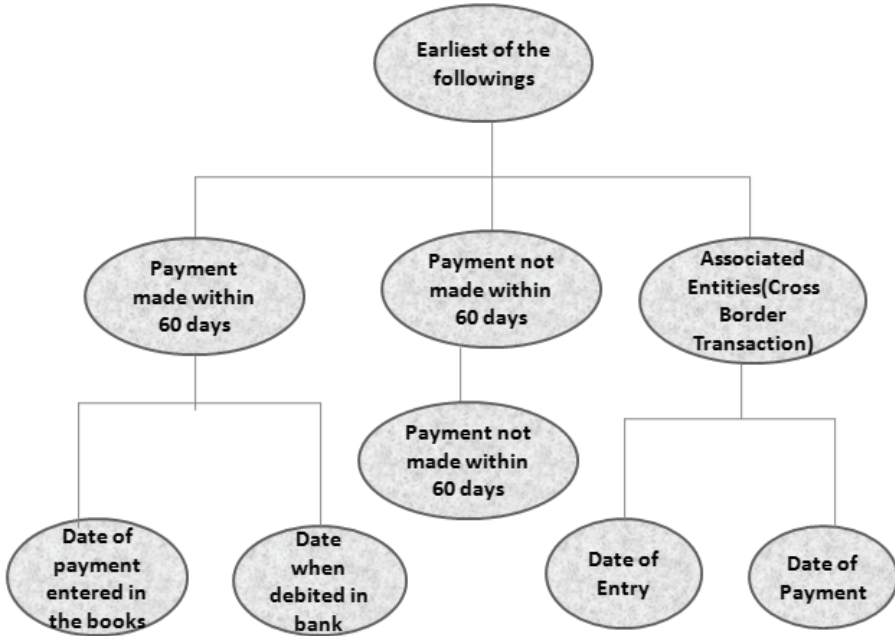


Time of Supply, Place of Supply Classification and Valuation of Supplies

Goods & Service Tax is leviable on supply of goods and services, time of supply attains a great importance to decide rate of tax, value and due dates for payment of tax. This aspect attains more significance when there is a change in the rate of tax. In terms of Sections 12 and 13 of CGST Act, Time of supply means the point in time when goods/ services are deemed to be supplied for determining liability of GST on them.

Section 12	Time of Supply of Goods	<p>Time of Supply for Normal Registered Taxpayers (Except Composite Dealer)-</p> <ul style="list-style-type: none"> > Issue of invoice <p>OR</p> <ul style="list-style-type: none"> > The last date by which invoice has to be issued <p>OR</p> <ul style="list-style-type: none"> > The date on which supplier receives the payment with respect to the supply <p>So, it is clear the GST is not required to pay at the time of receipt of advance in relation to supply of goods. Entire GST shall be payable only when the invoice is issued for such supply of goods.</p>
Section 13	Time of Supply of Services	<p>Time of supply will be the earliest of the follows in case of Invoice issued within 30days/45 days-</p> <ul style="list-style-type: none"> >Issue of Invoice <p>Or</p> <ul style="list-style-type: none"> >Receipt of Payment <p>Time of supply will be the earliest of the follows in case of Invoice not issued within time-</p> <ul style="list-style-type: none"> >Provision of Service <p>Or</p> <ul style="list-style-type: none"> >Receipt of Payment <p>Time of supply will be in case of Invoice not issued – Date of receipt in recipient's book</p>

Time of Supply in case of services – Reverse Charge



Change in Rate of Tax in respect of supply of goods or services

Sec14. Where there is a change in rate of tax of supply of goods or services, time of supply has to be determined in the following manner:

Supply is completed before the change in rate of tax

Invoice issued before date of change in tax rate	Payment received before date of change in tax rate	Time of supply	Applicable rate of tax
No	No	Earliest of the date of Invoice or payment	New rate of Tax
Yes	No	Date of issue of invoice	Old tax rate
No	Yes	Date of receipt of payment	Old tax rate

Supply is completed after the change in rate of tax

Invoice issued before date of change in tax rate	Payment received before date of change in tax rate	Time of supply	Applicable rate of tax
Yes	Yes	Earliest of the date of Invoice or payment	Old rate of Tax
Yes	No	Date of receipt of payment	New rate of Tax

No	Yes	Date of issue of invoice	New rate of Tax
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However, the special procedure for payment of tax by suppliers of goods (other than composition dealers) notified by Government vide notification no. 66/2017-Central Tax dated 15.11.2017 under section 148 of the CGST Act, 2017, will continue to govern even in the above situation. In a nutshell, suppliers of goods other than composition dealers will have to pay tax at the time of issue of invoice only.

Date of receipt of Payment in case of change in rate of tax

Normally the date of receipt of payment is the date of credit in the bank account of the recipient of payment or the date on which the payment is entered into his books of account, whichever is earlier. Further, the date of credit in the bank account is relevant if such credit is after four working days from the date of change in rate of tax.

The way of calculation of time of supply is adequately covered by the provisions of Sections 12, 13 and 14, one has to keep in mind these provisions and calculate time of supply which is the pivot to determine when the liability to discharge tax will arise.

Place of supply (IGST)

Places of supply provisions have been framed for goods and services, keeping in mind the destination/consumption principle. In other words, the place of supply is based on the place of consumption of goods or services. As goods are tangible, the determination of their place of supply, based on the consumption principle, is not difficult. Generally, the place of delivery of goods becomes the place of supply. However, the services being intangible in nature, it is not easy to determine the exact place where services are acquired, enjoyed and consumed. In respect of certain categories of services, the place of supply is determined with reference to a proxy. Separate provisions for the supply of goods and services have been made for the determination of their place of supply. Separate provisions for the determination of the place of supply in respect of domestic supplies and cross border supplies have been framed.

Section 10- Place of supply of goods other than supply of goods imported into, or exported from India.

Nature of supply	Place of supply
Supply involving movement of Goods	Location of goods at time of termination of movement for delivery to recipient
Supply of Goods on Direction of third person	Principal Place of Business of third person
Supply not involving movement of goods	Location of goods at the time of delivery to the Recipient
Supply by assembly / installation at site	Place of Installation / assembly
Supply on board a conveyance (vessel, aircraft, train etc.)	Location where goods are taken on board



Section 11- Place of sup.ply of goods imported into, or exported from India

Nature of supply	Place of supply
Goods imported into India	Location of Importer
Goods exported from India	Location outside India

Section 12-Place of supply of services where location of supplier and recipient is in India.

Nature of supply	Place of supply
Supply to Registered Person	Location of Recipient
Supply to Un-registered Person(Location of Recipient available)	Location of Recipient
Supply to Un-registered Person(Location of Recipient not available)	Location of Recipient
Service directly related to immovable property	Location of Immoveable Property
Service by way of lodging accommodation by Hotel, Inn, Guest House, Home Stay, Club or Campsite	Location of Immoveable Property, Boat or Vessel

Section 13- Place of supply of services where location of supplier or location of recipient is outside India

Nature of supply	Place of supply
Performance Based Services	Location of Performance of Service
Service relating to Immoveable Property	Location of immoveable property
Service Relating to events	Location of Event
Specified Services-Section 13(8)	Location of Supplier of Services
Online information and database access or retrieval services	Location of Recipient of Service



Accounts and Records under GST

Relevant Provisions under CGST Act

Sec 35.

- (1) Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—
 - (a) Production or manufacture of goods
 - (b) Inward and outward supply of goods or services or both
 - (c) Stock of goods
 - (d) Input tax credit availed
 - (e) Output tax payable and paid and
 - (f) Such other particulars as may be prescribed

Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business:

Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.

- (2) Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.
- (3) The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.
- (4) Where the Commissioner considers that any class of taxable person is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.
- (5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement



under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.

- (6) Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of such tax.

Every registered person required to keep and maintain books of account or other records in accordance with the provisions of sub-section (1) of section 35 shall retain them until the expiry of seventy-two months from the due date of furnishing of annual return for the year pertaining to such accounts and records:

Provided that a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

Provisions under GST Rules

Maintenance of accounts by registered persons.-

- (1) Documents regarding goods or services imported or exported or of supplies attracting payment of tax on reverse charge
- (2) Every registered person, other than a person paying tax under section 10, shall maintain stock accounts mentioning all details of stock

- (3) Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.

- (4) Every registered person, other than a person paying tax under section 10, shall keep and maintain an account, containing the details of tax payable (including tax payable in accordance with the provisions of sub-section (3) and sub-section (4) of section 9), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

- (5) Every registered person shall keep the particulars of -

- (a) names and complete addresses of suppliers
 - (b) names and complete addresses of the persons to whom he has supplied goods or services
 - (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.
- (6) If any taxable goods are found to be stored at any place without the cover of any valid documents, the proper officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.
- (7) Every registered person shall keep the books of account of H.O & as well as additional place of business mentioned in = certificate of registration at the principal place of business .Books of account shall also include any electronic form of data stored on any electronic device.
- (8) Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter the correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.
- (9) Each volume of books of account maintained manually by the registered person shall be serially numbered.
- (10) Every agent referred to in clause (5) of section 2 shall maintain accounts depicting the,-
- a. particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately;
 - b. particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
 - c. particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
 - d. details of accounts furnished to every principal; and
 - e. tax paid on receipts or on supply of goods or services effected on behalf of every principal.
- (12) Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.



- (13) Every registered person supplying services shall maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilized and the services supplied.
- (14) Every registered person executing works contract shall keep separate accounts for works contract showing –
 - a. the names and addresses of the persons on whose behalf the works contract is executed;
 - b. description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;
 - c. description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract;
 - d. the details of payment received in respect of each works contract; and e. the names and addresses of suppliers from whom he received goods or services.
- (15) The records under the provisions of this Chapter may be maintained in electronic form and the record so maintained shall be authenticated by means of a digital signature.
- (16) Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.
- (17) Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of such registered person and shall produce the details thereof as and when required by the proper officer.
- (18) Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law for the time being in force.

Generation and maintenance of electronic records.-

- (1) Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.

- (2) The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
- (3) Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

Generation and maintenance of electronic records.-

- (1) Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.
- (2) The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
- (3) Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

Records to be maintained by owner or operator of godown or warehouse and transporters.

1. Every person required to maintain records and accounts in accordance with the provisions of sub-section (2) of section 35, if not already registered under the Act, shall submit the details regarding his business electronically on the common portal in FORM GST ENR-01, either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details furnished, a unique enrolment number shall be generated and communicated to the said person.
2. The person enrolled under sub-rule (1) as aforesaid in any other State or Union territory shall be deemed to be enrolled in the State or Union territory.
3. Every person who is enrolled under sub-rule (1) shall, where required, amend the details furnished in FORM GST ENR-01 electronically on the common portal either directly or through a Facilitation Centre notified by the Commissioner.
4. Subject to the provisions of rule 56,-



- (a) any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him along with the Goods and Services Tax Identification Number of the registered consigner and consignee for each of his branches.
 - (b) every owner or operator of a warehouse or godown shall maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt and disposal of such goods.
5. The owner or the operator of the godown shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

Tax Invoice and other such instruments in GST

Goods

The time for issuing invoice is depend on the supply of goods or service. A registered person supplying taxable goods shall, before or at the time of removal of goods (where supply involves movement of goods) or delivery or making available thereof to the recipient, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars has been prescribed in the Invoice Rules.

Services

A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as has been prescribed in the Invoice Rules.

Thus it can be seen that in case of goods, an invoice has to be issued before or at the time of supply. In case of services, however, invoice has to be issued before or after provision of services. If the invoice is issued after provision of service, it has to be done within the specified period of 30 days from the date of supply of service, as per invoice rules

Instruments under GST

Tax Invoice for goods and Service Prepared by regular tax payer under Rule 46

Bill of Supply in case of exempted supply under Rule 49

Receipt voucher in case of advance receipt under Rule 50

Refund voucher in case of refund under Rule 51

Payment voucher in case of payment of invoice under Rule 52

Debit and Credit Note in case of rate difference or discount if any under Rule 53

Input service distributor invoice for ISD Distribution under Rule 54



Delivery Challan in case of Job work/ Sale on approval basis under Rule 55

Points to be noted.

All the records required to be maintained can be preserved in electronic form.

If the records are not kept as per requirement then provisions of penalty and offences may become applicable.

This Section mandates the upkeep and maintenance of records, at the place(s) of business, in electronic or other forms.

Furnishing of an audited statement of accounts and reconciliation statement is also contemplated for persons having turnovers exceeding the prescribed limit.

There is no relaxation provided to persons who have voluntarily obtained registration.

Check list

List of records under GST

- Sale invoices
- Purchase invoices
- Stock Ledger
- Stock statement
- Inward and outward register
- Copies of E-way Bill
- Copies of Delivery Challan for Job work sent and received back
- Copies of receipt, refund and payment vouchers
- Debit and credit note
- Expenses voucher whether GST is payable under Reverse Charge
- Quantitative information of opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof
- Name and address of all vendors and customers
- Material issue record, production record and scrap records in case of Manufacturing Organizations.

Accounts and records to be maintained by Works Contractors:

- The names and addresses of the persons on whose behalf the works contract is executed
- Description, value and quantity (wherever applicable) of goods or services received for the execution of works contract
- Description, value and quantity (wherever applicable) of goods



or services utilized in the execution of works contract

- The details of payment received in respect of each works contract and
- The names and addresses of suppliers from whom he has received goods or services

Accounts and records to be maintained by Agents:

- Particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately
- Particulars including description, value and quantity (wherever applicable) of goods or services received & Supplied on behalf of every principal
- Details of accounts furnished to every principal and
- Tax paid on receipts or on supply of goods or services effected on behalf of every principal.

Godown and warehouse owner or operators, and transporters

- Transporter - records for all branches of goods transported, delivered, and stored in transit
- Warehouse and Godown owner or operator – records of those goods remain in the warehouse, including details relating to dispatch, movement, receipt, and disposal of such goods
- The owner or operator must store the goods so that they can be identified item wise and owner wise and shall facilitate any physical verification or inspection.
- Board resolutions for giving authority to employees/ consultants/ director as the case may be to sign the various documents

Multiple location in same state

- Check whether additional place of business is added in registration
- Check which place is registered as principle place of business
- Check documentary evidence for principle place of business and additional place of business
- Check whether all documents and records of all places are kept at principle place of business
- Cross verify the records with additional place of business

Multiple location in different states

- Check whether registration in all states is taken or not, if required
- Check documents for principle place of business of each state specific registration

- Check whether all documents of respective states are kept at respective place or not

Multiple site in same or different states

- Check whether state specific registration is mandatory or not
- Check whether all documents of all sites in operation are kept at principle place of business

Physical copies of the documents

- Check whether all copies of invoices on which ITC is claimed is available or not
- Check whether all copies of sales invoices are available or not
- Check whether Advance voucher, payment voucher, refund voucher are prepared or not

Time period preserving the records

- Records are required to be maintained for 72 months from the due date of filing Annual Return
- Check whether necessary mechanism is available to preserve the records

Electronic data maintenance

- Check what is the provision for backup of data
- Check whether required data can be made available in hard or electronic readable form

Impact in case of merger and acquisition

- Check whether all records of merged entity should be kept for required period or not
- Cancellation of invoice
- Check whether original copy of invoice is available for verification or not
- Check whether the invoice is reported in GSTR 1 or not
- Check whether necessary disclosure in GSTR 1 is done or not

Debit note and credit note

- Check whether all debit note and credit notes are available or not
- Check whether corresponding note from customer / vendor is received or not
- Check the Original Invoice reference whether mentioned in all debit/credit notes.

Advance received

- Check whether separate account is maintained for advance received, adjusted and balance
- Check the documentary evidence for receipt and adjustment of advance

Goods used for providing output services



- ❑ Check the documentary evidences for use of goods for provision of taxable output services

Outward Supplies

Supply as defined in section 7, sub-section 1, “all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;”

Check list for verification of the outward supplies documents in GST

All the elements of Rule 46 have to be verified for each and every document. Number of HSN Codes digits have been mentioned on the tax invoices as per Notification No 12/2017 – Central Tax Dated 28th June 2017.

Verify for any cancellation of tax invoices, as per the current provisions of GST, there is no provision for cancellation of tax invoices except as per the provisions of Section 67, Sub-section 12. If there are any cancellation of tax invoices other than the above said provisions the same has to be classified in the audit findings and also reported in the audit report.

The tax invoice numbers must be verified if they are unique for each financial year and in case of projects located in different geographies the same should be numbered project wise. If the same is not observed, the same should be reported in the Audit Report as well as in the audit findings for the reasons of missing numbers across the document series. These numbering series should be verified with the data filed in the GSTR – 1, Table 13, if there any difference the same should be reported accordingly.

The most important thing here is on the signatures on the tax invoices, it has to be signed by the authorized signatories only and not by the authorized representative. The scope of an authorized representative is defined in section 116, sub-section 2 of the CGST Act.

The item classification has to be vetted as per the item properties in relation to the Customs Tariff Act. Any change in the item properties can be classified into a different item and which could result in short recovery of the tax and which attracts penal provisions as per section 73 and section 74. The rate of interest and penalty are applicable as per the provisions of Section 51 and Notification No 13 – Central Tax dated 28th June 2017.

Verify if there is any reverse charge applicable on the outward supplies? If yes,

- ❑ Verify if there are marked separately on the invoice?
- ❑ Are they accounted in a separate ledger?
- ❑ Is there a separate serial number for such tax invoices or who they are being identified and tracked?

Verify if there are any outward supplies on which taxes are levied over and above MRP? If yes report them in the audit report and also in the audit workings and findings.

Confirm that for each and every outward supply there is a corresponding document with respect to GST? If there are any such missing transactions, report the same in the audit report and record it in the audit observations and findings documents.

Verify if the invoices are signed by the authorized signatories or not?

Verify if all the provisions of Sub-Rule 1 & 2 of Rule 48 are met, if not record it in the audit observations and findings documents.

Verify if the tax invoices are issued within the stipulated time as per the provisions of Rule 47 of the CGST Rules, especially for the service providers.

Verify if the valuation on the invoices is done correctly as per the provisions of Rule 25 to Rule 37.

Verify if there are any related parties as per explanation is given in provisions of section 15 of the CGST Act. If yes, verify if valuation in such cases has arrived correctly as the provisions of the Central Excise Act are changed where it says cost plus 10% but in case of GST it is a residuary provision.

Verify if a debit or credit notes are issued, if yes confirm they are issued as per the provisions of Section 34 of the CGST Act as it is applicable only in case outward supplies for which the tax invoice issued by the taxpayers and not for the purchase returns.

In case of zero rated supplies, verify if the exports are happening on the payment of duties or without payment of duties.

Verify if the bond is executed in case of without payment of duties and ITC is not claimed as per the process.

Verify if there are any invoices which are issued before the execution of the bond and exported without payment of duties, report the same in the audit report and record it in the audit observations and findings documents.

Verify if any input tax credit is taken on the inward supplies related to exports without payment of duties, if found report the same in the audit report and record it in the audit observations and findings documents.

Verify if there any refund claims on the exports without payment of duties for exports if any are pending, report the same in the audit report and record it in the audit observations and findings documents.

Verify and if possible ascertain the reasons for the refund being held pending or if there is any mismatch between the data entered in the GSTR - 1 and the icegate portal, report the same in the audit report and record it in the audit observations and findings documents.

Verify on all the invoices if place supply is mentioned correctly as per the provisions of section 10,12, 12, 13 & 14 as per the IGST Act 2017. If there is any difference report the same in the audit report. Also compute the amount of actual tax liability along with the applicable interest and



penalties if any. Report the same in the audit report and record it in the audit observations and findings documents.

Verify if there any deemed exports during the period of the audit, if yes verify if the tax is levied at 0.10% and reported in the GST Returns correctly.

Verify if there are any Bill To and Ship To transactions, in these transactions, the place of supply will the location of the principal supplier who has passed on the lead and not of the party to whom the goods are being shipped.

Verify if there are any export of services, if yes, validate for each and every category of transaction or each and every transaction satisfies all the conditions specified in the provisions of Section 2, sub-section 6. If any of the conditions is not met, the same should be qualified and reported in the audit report.

Verify if any taxes are paid on a provisional basis as the taxpayer is not able to assess the taxable value or correct classification or tax rate etc., If any such transactions are there, the same should be reported in the Audit report and also verify the procedures to be followed as per the provisions are followed correctly and such observations if any should be part of the audit report.

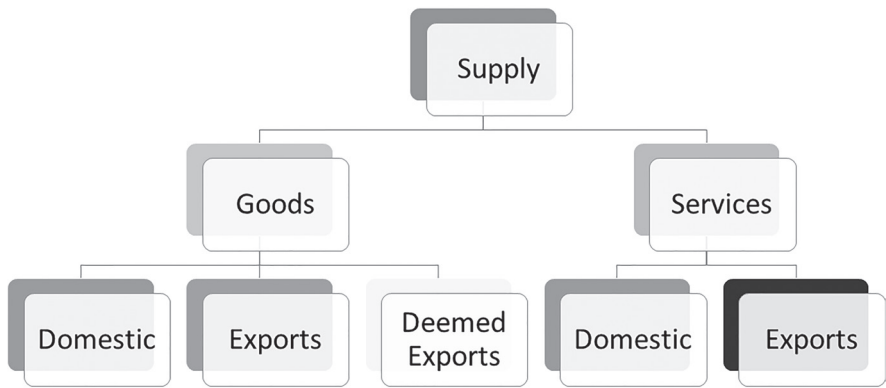
Verify if the tax liability stated in the GST returns is correct and it is in line with the financial statements. To verify the tax liability as per financial statements and GST Returns some of the items have to be reduced from the outward supplies as all transactions on which GST is levied and collected will not be part of the turn over as per the financial statement.

The tax liability as per GST has to be reconciled with the GST liability as per the GSTIN's turnover and the actual liability on the turnover. For this a simple reconciliation statement can be prepared and the following format can be used with minimal changes based on the uniqueness of the organization's business model and requirements.

Particulars	Taxable Amount	Tax Amount
Total GST paid as per the financial statement	XXXXX	XXXXX
Less		
GST Liability related to other GSTIN's	XXXX	XXXX
GST liability for the state	XXXX	XXXX
Less: GST Liability on the following transactions		
Advance Receipts - supplies not yet made	XXXX	XXXX
Reverse Charge - Section 9 (3)	XXXX	XXXX
Reverse Charge - Section 9 (4)	XXXX	XXXX
Inter Branch Transfers	XXXX	XXXX
Job Work - goods not returned within stipulated time - Section 143	XXXX	XXXX
GST on Samples	XXXX	XXXX

GST collected on the late fee, delayed payments	XXXX		XXXX	
Sales Returns - Credit Notes Issued	XXXX		XXXX	
Credit Notes issued for other reasons to customers	XXXX		XXXX	
Sale of assets	XXXX		XXXX	
Purchase Returns	XXXX		XXXX	
Transfer to Agents - where sales are not confirmed by agent - Schedule 1	XXXX		XXXX	
GST liability on the reversal of ITC if supplier not paid within 180 days	XXXX		XXXX	
GST paid on asset transferred to their GSTIN's	XXXX		XXXX	
GST collected on employee Benefits - Schedule 1	XXXX		XXXX	
GST on assets on which input tax credit is claimed and given as free - Schedule 1	XXXX		XXXX	
GST collected on Reimbursements from employees	XXXX		XXXX	
Total GST Liability to be reduced		XXXX		XXXX
Difference		0		0

Classification of different types of outward supplies



Prepare a reconciliation statement on the actual GST liability for the state reported and between the various categories of outward supplies as shown. This will help the audit work to be completed at ease as and when the formats are notified. This will ensure that data is available in all aspects of the GST Audit.

Particulars	Taxable Amount		Tax Amount	
Total GST paid as per the financial statement		XXXXXX		XXXXXX
Less				
GST Liability related to other GSTIN's	XXXX		XXXX	



GST liability for the state		XXXX		XXXX
Less				
GST Liability of outward supply of goods		XXXX		XXXX
GST Liability of outward supply of goods		XXXX		XXXX
Difference		0		0

Likewise prepare the reconciliation or statements for each and every category of outward supplies.

Transaction Reporting for related parties and non-related parties in GST Audit

Valuation is an important aspect of the GST Audit. Valuation determines what value the taxes are being paid. In case of if the buyer and seller are not related, then the transaction value is to be considered for the valuation purpose basis on provisions of Section 15 of the CGST Act.

Similarly, in case of related parties, then the valuation is to be the determined basis of provisions of Rule 28, 30 & 31.

As per provisions of Rule 28, in case of related parties, the transaction has to be valued on the basis of the open market value but the major difference under GST is the definition of the related party itself. As per GST provisions, one major difference is, a transaction is said to be related party transaction if “any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;” and as per the provisions of the Companies Act it is defined as “a public company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid-up share capital;”. The difference is in the controlling stake percentage, the classification is different so reporting as per CGST Act will be different and valuation should be done accordingly.

In related party transactions the valuation has to be done in the following manner / sequence

- i. the open market value,
- ii. if not available for any goods or services, then the price of similar good or services with similar quality and quantity
- iii. if not then cost plus 10%
- iv. if not available then residual method, it shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of this Chapter

In case of transactions between the distinct parties, valuation can be done at the 90% of the open market value if the said goods being transferred for further supply and ITC is being availed.

There is a difference between the related party and distinct person in GST, as a result there is a difference in the valuation process also, the verification in such cases had to be done carefully and qualified accordingly.

All transactions related to related party transactions have to be verified

basis on the above said provisions and if they are not as per the provisions, the same reported in the audit report and record it in the audit observations and findings documents.

Transactions with consideration/without consideration

Under GST, there are some transactions where they are still treated as supply even though there is no receipt of consideration on such transactions. Transactions which are required to be qualified as supply are given specifically in the Schedule I of the CGST Act.

All transactions where there is no consideration received should be identified accordingly in the GST Audit report and if there are any transactions which do not qualify, the same should be reported in the GST Audit report.

There is also a debate on the transactions related to amount levied / collected from employees like mess / food bills collected from them and paid to the vendor or collection of token amount on the re issue of ID card etc., all such transactions have to be identified and verified GST is collected on the same and reported in the GST returns accordingly, if not the same should be reported in the audit report and a provision for the non-payment of taxes along with interest has to be provided in the financial statements. Refer to the ruling provided by the Kerala AAR on the reimbursement of food expense of employees, where it has clearly said that GST is applicable on such transactions. Refer to AAR's ruling from various states on similar cases and this will give an idea of how the department is working on the same.

If any transactions are found during the verification on which GST is not levied and are falling under the provision of supply and without consideration, the same should be reported in the Audit report.

Reconciliation Statements

Many reconciliation statements have to be provided and verified with the financial statements as they help in identifying if all the transactions are recorded by the taxpayer correctly and taxes are levied on them accordingly.

Difference in tax liability – consideration is received

Particulars	Tax Base	CGST	SGST	IGST
Total GST paid as per the financial statement	XXXXX	XXXXX	XXXXX	XXXXX
GST liability as per GST Audit Report	XXXXX	XXXXX	XXXXX	XXXXX
Difference	XXXXX	XXXXX	XXXXX	XXXXX

In the above reconciliation statement there are differences, list all transactions which have caused the differences. It has to be prepared for each tax amount

If the taxpayer is dealing with multiple tax rates within the same tax, then the statements have to be prepared at the tax rate level as it provides a complete and clear picture on the differences.



Difference in tax liability – where consideration is not received

Particulars	Tax Base	CGST	SGST	IGST
Total GST paid as per the financial statement	XXXXXX	XXXXXX	XXXXXX	XXXXXX
GST liability as per GST Audit Report	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Difference	XXXXXX	XXXXXX	XXXXXX	XXXXXX

This statement is to be prepared based on Schedule 1 of the CGST Act and all such transactions on which GST is not levied should be part of the statement.

A simple outward supplies statement can be prepared which will give all the information and it should be at the transaction level, line level, HSN level with B2B and B2C Classification. The statement has to be prepared with the help of the IT team of the taxpayer as we do not have access to the taxpayer's database and they may be using different ERP's or accounting software's.



Input Tax Credit

A. Important Definitions-

“Input Tax Credit”

As per Sec. 2(63) of CGST Act, 2017, “input tax credit” means the credit of “input tax”;

“Input Tax”

As per Sec. 2(62) of CGST Act, 2017, “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- (a) the integrated goods and services tax charged on import of goods;
- (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
- (c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
- (d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or
- (e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy;

“Input”

As per Sec. (59) of CGST Act, 2017 “input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business;

“Input Service”

As per Sec.2 (60) of CGST Act, 2017 “input service” means any service used or intended to be used by a supplier in the course or furtherance of business;

“Capital Goods”

As per Sec. 2(19) of CGST Act, 2017 “capital goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;

B. Who can avail the ITC.

As per Sec. 16(1) of CGST Act, 2017, every registered person subject to certain conditions and restriction is entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the



said amount shall be credited to the electronic credit ledger of such person.

C. Conditions and Restrictions for taking ITC

As per Sec. 16(2), no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—

- a. he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other taxpaying documents as may be prescribed;
- b. he has received the goods or services or both.
- c. Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
- d. subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilization of input tax credit admissible in respect of the said supply; and
- e. he has furnished the return under section 39:

Provided that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment:

Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by

the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed:

Provided also that the recipient shall be entitled to avail of the credit of input taxon payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

As per Sec. 16(3) of CGST Act, 2017, Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.

Rule 36 of CGST Rules, 2017

Documentary requirements and conditions for claiming input tax credit.-

1. The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the

following documents, namely,-

- a. an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
 - b. an invoice issued in accordance with the provisions of clause (f) of sub-section(3) of section 31, subject to the payment of tax;
 - c. a debit note issued by a supplier in accordance with the provisions of section 34;
 - d. a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;
 - e. an Input Service Distributor invoice or Input Service Distributor credit note or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54.
2. Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document and the relevant information, as contained in the said document, is furnished in FORMGSTR-2 by such person.
 3. No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.

Rule 37 of CGST Rules, 2017

Reversal of input tax credit in the case of non-payment of consideration.-

1. A registered person, who has availed of input tax credit on any inward supply of goods or services or both, but fails to pay to the supplier thereof, the value of such supply along with the tax payable thereon, within the time limit specified in the second proviso to subsection(2) of section 16, shall furnish the details of such supply, the amount of value not paid and the amount of input tax credit availed of proportionate to such amount not paid to the supplier in FORM GSTR-2 for the month immediately following the period of one hundred and eighty days from the date of the issue of the invoice:

Provided that the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.

2. The amount of input tax credit referred to in sub-rule (1) shall be added to the output tax liability of the registered person for the month in which the details are furnished.



3. The registered person shall be liable to pay interest at the rate notified under sub-section (1) of section 50 for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability, as mentioned in sub-rule (2), is paid.
4. The time limit specified in sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.

To summarize,

Following are the conditions and Restrictions prescribed in CGST Act, 2017 and CGST Rules, 2017, in order to take Input Tax Credit:-

1. Possession of a tax invoice or debit note issued by a supplier registered under CGST Act, 2017 read with Rule 46 of CGST Rules, 2017.
2. Receipt of the goods or services or both
3. The tax charged in respect of such supply has been actually paid to the Government subject to provisions of matching concepts.
4. The relevant information, as contained in the document is furnished in the Form GSTR-2 by Input Tax Credit receiver.
5. The return is furnished under Sec. 39 of CGST Act, 2017.
6. In case the goods against an invoice are received in lots or installments, credit can be taken upon receipt of the last lot or installment.
7. Payment is made within 180 days from the date of issue of invoice, except in case of tax is payable under RCM.
8. If payment is not made within 180 days from date of invoice then the amount of value not paid and proportionate input tax credit availed on such unpaid amount of value shall be added to output tax liability with interest at the rate of 18% p.a. as per Sec. 50(1) of CGST Act, 2017.
9. The Interest at the rate of 18% p.a. is payable for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability
10. Input Tax Credit can be re-taken on payment to supplier. There is no time limit to claim for re-availing of any credit.
11. No Input Tax credit on Capital goods if the registered person has claimed depreciation on the tax under the provisions of the Income-tax Act, 1961.
12. No Input Tax Credit is available in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or



suppression of facts.

13. A registered person has not opted composition levy scheme under Sec. 10 of CGST Act, 2017.

D. Time Limit for availing the Input Tax Credit:

As per Sec. 16(4) of CGST Act, 2017, A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of them relevant annual return, whichever is earlier. Thus, time limit for availing the ITC is due date of furnishing of the return under Section 39 for the month of September following the end of Financial Year or furnishing of the relevant annual Return, whichever is earlier.

E. Documentary evidences and conditions for availing the Input Tax Credit

Input Tax Credit can be availed on the basis of following documents namely, :-

- Tax Invoice
- Debit Note
- Bill of Entry
- ISD Invoice
- ISD Credit note
- Tax invoice raised under RCM and Proof of payment of tax

Input Tax Credit can be availed only if all particulars are applicable as per respective rule of CGST Rules are contained in the document on the basis of which input tax credit is to be availed.

F. Blocked ITC

As per definition of input, input services and capital goods read with Sec. 16(1) of CGST Act, 2017, Input Tax Credit is allowed on goods and services used in the course or furtherance of business.

However, there are certain goods and services even if used in the course or furtherance of business, in respect of which input tax credit is not admissible to registered person.



List of admissible and inadmissible input tax credit:-

Admissible	Inadmissible
<ul style="list-style-type: none">• Input-• Any goods other than capital goods used in the course or furtherance of business such as<ul style="list-style-type: none">• raw material,• goods used in factory, office,• mobile phones provided to employees• stationery, and other consumables,• safety material• goods used in erection commissioning of plant and machinery which includes apparatus, equipment, machinery, fixed to earth by foundation or structural support that <u>used for making outward supply and includes such foundation and structural supports. (if not capitalized)</u>	<ul style="list-style-type: none">• Goods which are capitalized in books of accounts• Goods used for effecting exempt supplies• Goods lost, stolen, destroyed, written off, gifted , provided free of cost,• Goods used for construction of an immovable property (land, building or any other civil structure) on own account• food and beverages• Motor Vehicles• Goods used for personal consumption• Goods used for construction of land, building or any other civil structure, telecommunication tower, pipeline laid outside the factory.• Tax paid after demand made by department alleging suppression facts, fraud, willful misstatement etc.• Tax paid on detention, seizure on goods and conveyance in transit.• Tax paid on goods or conveyance confiscated.

Admissible	Inadmissible
<ul style="list-style-type: none"> • Capital Goods- • Goods which are capitalized in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of business • Furniture, Office Equipments, • Motor Vehicle used for making following taxable supplies • further supply of such vehicles or conveyances ; or • transportation of passengers • imparting training on driving, flying, navigating such vehicles or conveyances; • for transportation of goods • Structures, structural supports 	<ul style="list-style-type: none"> • Goods which are used for effecting taxable supplies but are not capitalized (Goods taken on high purchase, operational or financial lease. • Motor Vehicles • Goods used for effecting exempt supplies • Goods lost, stolen, destroyed, written off, gifted , provided free of cost, • Goods used for construction of an immovable property (land, building or any other civil structure, telephone tower, pipeline laid outside the factory) on his own account • Goods used for personal consumption • Tax paid after demand made by department alleging suppression facts, fraud, willful misstatement etc. • Tax paid on detention, seizure on goods and conveyance in transit. • Tax paid on goods or conveyance confiscated.



Admissible	Inadmissible
<p>Input Services-</p> <ul style="list-style-type: none"> • Any service used or intended to be used by a supplier in the course or furtherance of business • Housekeeping, security, • Marketing, sales Promotion • Professional consultancy • Technical Consultancy • Banking and Financial • Transportation both inward and outward • Credit Rating • Works Contract services used for supply of works contract services 	<ul style="list-style-type: none"> • In respect of Motor vehicles and other conveyance except used for following effecting taxable supplies- • further supply of such vehicles or conveyances; or • transportation of passengers • imparting training on driving, flying, navigating such vehicles or conveyances; • for transportation of goods • food and beverages, outdoor catering • beauty treatment, • health services, cosmetic and plastic surgery • except where used for making an outward taxable supply of the same category of goods or services; • membership of a club, health and fitness centre, • Bus transport to employees, auditors or others in relation to business • rent-a-cab, life insurance, health insurance except where obligatory as per government notification. • travel benefits extended to employees on vacation such as leave or home travel concession.
	<ul style="list-style-type: none"> • Works Contract Services for construction of immovable property even when used in course or furtherance of business. • Construction services for construction of an immovable property on own account even when used in course or furtherance of business. • Services used for effecting taxable supplies under Composition Levy • Services used for personal consumption • Tax on input services where paid after demand made by department alleging suppression facts, fraud, willful misstatement etc. under Sec. 74. • Tax paid on detention, seizure on goods and conveyance in transit under Sec. 129. • Tax paid on goods or conveyance confiscated under Sec. 130.



G. Input Tax Credit on goods and services partly used for business purpose and partly used for Other Purpose, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies

As per Sec. 17(1) of CGST Act, 2017, where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

As per Sec. 17(2) of CGST Act, 2017, where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

As per Sec. 17(3) of CGST Act, 2017, the value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

In Rule 42 and Rule 43, provides the manner of reversal of inputs, input services and capital goods used partly for the purpose of business and partly for other purpose or used partly for effecting taxable supplies including zero rated supplies

Analysis:

1. If goods or services or both are used partly for the purpose of any business and partly for other purposes: Credit input tax attributable to the purposes of his business shall be allowed.
2. If goods or services or both are used partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies : Credit of the input tax attributable to taxable supplies including zero-rated supplies shall be allowed.
3. No credit of inputs, input services used exclusively for purpose other than business or effecting exempt supplies
4. No credit of in-eligible inputs and input services as listed in Sec. 17(5) of CGST Act, 2017.
5. Entire credit on inputs and input services used exclusively in or in relation to taxable supplies including zero rated supplies is admissible.
6. Out of common credit, credit attributable to exempt supplies shall be reversed, calculated as per below:-



Input Tax Credit to be reversed=Common Credit*(Exempted Supplies during the tax period /total turnover during tax period)

7. Credit attributable to non-business purpose shall be 5% of Common Credit
8. The amount of common credit and reversal thereof shall be calculated separately for Central Tax, State Tax and Integrated Tax.
9. The input tax credit determined above shall be calculated finally before due date for filing the return for the month of September of following year.
10. After final calculation of amount of input tax credit needs to be reversed is excess than amount of input tax credit reversed during the respective tax period then, the such excess amount shall be added to the output tax liability in the month not later than the month of September following the end of the financial year to which such credit relates
11. The Interest on such excess amount at the rate of 18% per annum as per Sec.50(1) of CGST Act, 2017 is payable for the period starting from the first day of April of the succeeding financial year till the date of payment.
12. However, after final calculation of amount of input tax credit needs to be reversed is less than amount of input tax credit reversed during the respective tax period then, the such amount of input tax credit reversed in excess shall be claimed as credit by registered person in his return for the month not later than the month of September following the end of the financial year to which such credit relates.

H. Manner of reversal of input tax credit on capital goods which are used partly for effecting taxable supplies including zero rated supplies or partly for business purpose and partly for other purpose is given in Rule 43 of CGST Rules, 2017.

- a. The Amount of input tax in respect of capital goods used exclusively for non-business or used exclusively for effecting exempt supplies shall not be allowed and shall not be credited to his electronic credit ledger.
- b. The entire amount of input tax in respect of capital goods used exclusive for effecting taxable supplies and zero rates supplies shall be allowed and shall be credited to his electronic credit ledger.

- c. The Amount of input tax in respect of capital goods used partly for business purpose and partly for other purpose or partly for effecting exempt supplies and partly for effecting taxable supplies i.e. common credit shall be denoted as “A”.
- d. The useful life of such capital goods shall be taken as five years from the date of the invoice for such goods.
- e. Where capital goods previously used exclusively for non-business purpose, but later if used for effecting taxable supplies also. Then amount of input tax credit on such capital goods shall be taken by reducing the input tax at the rate of five percentage points for every quarter or part thereof shall be added to the aggregate value of common input tax credit in respect of capital goods.
- f. The amount of common input tax credit attributable to a tax period on common capital goods during their useful life shall be calculated as Common Input Tax Credit/60.
- g. The amount of input tax credit attributable to exempt supplies shall be calculated as Total of input tax on common capital goods attributable to tax period * Exempt Supply during the tax period / Total Turnover during the tax period.
- h. The amount of input tax credit attributable to exempt supplies shall be added to output liability.

Formula of calculation of input tax credit to be reversed on common capital goods:-

Useful life of capital goods shall be taken as five years.

T_c = Input Tax Credit attributable to common capital goods

T_m = Input Tax Credit attributable to tax period = $T_c/60$.

T_r = Sum total of T_m i.e. input tax credit attributable to tax period on all common capital goods.

T_e = $T_r * E / F$

E = Exempt supplies during the tax period

F = Total Turnover during the tax period.

Determination of Value of exempt supply and value of total turnover for calculation on input tax attributable to common inputs, input services and capital goods

Exempt Supply

Value of exempt supply includes:-

- a. Supplies which attracts nil rate of tax
- b. Exempt supplies under CGST Act and IGST Act.
- c. Non-taxable supply
- d. Supplies on which the recipient is liable to pay tax on reverse charge basis



- e. Transactions in securities, sale of land and sale of building.
 - i. The value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty;
 - ii. The value of security shall be taken as one per cent. of the sale value of such security.

Value of exempt supply excludes:

- Supply of services having place of supply in Nepal or Bhutan, against payment in Indian Rupees
- the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except
- in case of a banking company or a financial institution including a non-banking
- financial company, engaged in supplying services by way of accepting deposits,
- extending loans or advances;
- the value of supply of services by way of transportation of goods by a vessel from the customs station of clearance in India to a place outside India.

Total Turnover:

“Turnover in State” or “turnover in Union territory” includes:-

- The aggregate value of all taxable supplies made
- The aggregate exempt supplies made
- The aggregate value of exports of goods or services or both

“Turnover in State” or “turnover in Union territory” excludes:

- The value of inward supplies on which tax is payable by a person on reverse charge basis
- Central tax, State tax, Union territory tax, integrated tax and cess;
- The amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule; (i.e. duty and taxes paid on Non-GST supply)

Where value of exempt supplies and total turnover is not available, then values of exempt supplies and total turnover available in last tax period shall be taken.

I. Provisions in respect of supply of capital goods:-

- In case of supply of capital goods or plant and machinery: an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by the five percentage

points as may be specified in this behalf or the tax on the transaction value of such capital goods whichever is higher is payable.

- ❑ Where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods.
- ❑ Input Credit of capital goods can be taken in one installment.

J. Special provisions of Banking and Financial Institution

- a. A banking company or a financial institution shall have following two options:-
 - i. Reverse the input tax credit attributable to exempt supplies as per Rule 42 of CGST Rules, 2017 or
 - ii. Avail 50% of eligible input tax credit that month and rest shall lapse.
- b. No credit of tax paid on inputs and input services that are used for non-business purpose
- c. No credit of inadmissible inputs and input services
- d. The option once exercised shall not be withdrawn during the remaining part of the financial year.
- e. Restriction of 50% shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.
- f. Option once exercised shall not be withdrawn during the remaining part of financial year.

K. Summary of provisions of input tax credit in case of special circumstances :-

Sr. No.	Provision	Compliance
1	Application for registration within 30 days from the date of becoming liable for registration	Can take credit of Input Tax in respect of : Inputs held in stock Inputs contained in Semi-Finished/Finished goods held in stock & Tax invoices issued within 1 year after becoming liable to pay tax.
2	Voluntary registration	Can take credit of Input Tax in respect of : Inputs held in stock Inputs contained in Semi-Finished/Finished goods held in stock Tax invoices issued within 1 year from the date of Grant of registration subject to certain conditions.
3	A person who ceases to pay tax under Composition levy	Can take credit of Input Tax in respect of : Inputs held in stock Inputs contained in Semi-Finished/Finished goods held in stock Capital goods (Credit can be reduced by prescribed percentage points) Within 1 year from the date of issue of tax invoices after becoming liable to pay tax



Sr. No.	Provision	Compliance
4	Where an exempt supply by a registered taxable person becomes a taxable supply	Can take credit of Input Tax in respect of : Inputs held in stock Inputs contained in Semi-Finished/ Finished goods held in stock Capital goods, which are Exclusively used for such supply From the date from which such supply become taxable.
5	In case of sale/merger/ demerger/ amalgamation/ lease or transfer of the business with the specific provision for transfer of liabilities	The input tax credit can be transferred to such sold/merged/demerger/amalgamated/leased or transferred business in the manner prescribed.
6	Registered taxable person availing input tax credit switches over as a taxable person	He shall pay an amount, by way of debit in the electronic credit or cash ledger, equivalent to the credit of input tax in respect of :- Inputs held in stock Inputs contained in Semi-Finished/Finished goods held in stock Capital goods(Credit can be reduced by prescribed percentage points)

Check Points:

1. Eligibility of input tax credit on input, input services and capital goods.
2. Correctness of documents on the basis of which ITC is taken.
3. Payment to supplier of goods and services within 180 days.
4. Reversal of ITC in case of failure to make payment value and taxes within 180 days from date of invoice with appropriate interest.
5. Re-credit of input tax credit reversed earlier due to non-payment of value and taxes within 180 days from date of invoice.
6. Reversal of input, input services and capital goods used partly for effecting exempt supplies and partly for effecting taxable supplies including zero rated supplies.
7. Correctness of determination of value of exempt supply, taxable supply, zero rated supply and total turnover.
8. Applicability of GST on supply of capital goods
9. Reversal of input tax credit in case where inputs and capital goods sent on job work are not returned within prescribed time limit
10. Reconciliation of input tax credit taken in GSTR-3B and Input tax Credit appearing in GSTR-2A.
11. Payment of correct taxes on reverse charge basis and eligibility of input tax credit paid on taxes paid on reverse charge basis.
12. Eligibility of input tax credit carried forward through Tran-1 form.

Reverse Charge Mechanism

Reverse Charge under GST

In the normal course the tax is payable by the supplier of goods and / or services. However, provisions have been made in the GST Act that in certain cases, the tax liability is shifted on the recipient of goods and / or services. The advantages of such provisions are that the Government gets maximum revenue from comparatively lesser number of tax payers. The relevant provisions are as under –

Thus, criteria for Reverse Charge is twofold –

- (a) Specified categories of supplies of goods and services.
- (b) Purchase of goods and / or services from Unregistered suppliers.

(a) Reverse Charge on Goods and Services -

i) Reverse Charge on Goods -

Notification No. 4/2017- Central Tax (Rate) dt. 28.06.2017 has notified following goods in respect of which tax shall be paid by the recipient as per the provisions of Section 9(3) of the CGST Act –

Sr. No.	Tariff Heading	Description of supply of goods	Supplier of goods	Recipient of supply
1	0801	Cashew nuts, not shelled or peeled.	Agriculturist	Any registered person
2	14049010	Bidi wrapper leaves (Tendu)	Agriculturist	Any registered person
3	2401	Tobacco leaves	Agriculturist	Any registered person
4	5201	Raw Cotton	Agriculturist	Any registered person
5	5004 to 5006	Silk yarn	Any person who manufactures silk from raw silk or silk worm, cocoons for supply of silk yarn	Any registered person
6	--	Supply of lottery.	State Government, Union Territory or any local authority.	Lottery distributor or selling agent.
7	Any Chapter	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	Central Govt. State Govt. Union Territory or a local authority.	Any Registered person.



Definition of Agriculturist –

Section 2(7) of the CGST Act defines “agriculturist” means an individual or a Hindu Undivided Family who undertakes cultivation of land—

- (a) by own labour, or
- (b) by the labour of family, or
- (c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family;

Thus, any registered person purchasing these specified goods from the specified suppliers is required to pay the tax on Reverse Charge.

Checkpoints :

1. Verify purchases of goods.
2. Verify accounting of goods.
3. Verify payment to supplier of goods.
4. Verify payment of tax as per the provisions of Section 12(3) of the CGST Act, at the earliest of the following dates –
 - a) Date of receipt of goods.
 - b) Date of payment as entered in the books of account of the recipient or the date on which payment is debited in the bank account, whichever is earlier.
 - c) Date immediately following 30 days of the issue of invoice.
 - d) Date of entry in books of account if not determined under (a) to (c) above.
5. Verify whether invoice is raised by the Recipient for paying the tax.
6. Verify whether the credit of the tax paid is availed, if eligible or not.

ii) Reverse Charge on Services :

Notification 13/2017 Central Tax (Rate) dt. 28.06.2017 has been issued specifying following services which are covered under reverse Charge.

- (a) Services by Goods Transport Agency who has not paid tax in respect of transportation of goods to specified persons viz. Factories, Societies, person registered under GST Act, body Corporate, Partnership firm, casual taxable person.
- (b) Services by an individual Advocate including senior advocate or form of advocates by way of legal services to any business entity located in the taxable territory.
- (c) Legal Service” means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational Services before any court, tribunal or authority.

- (d) Services supplied by an arbitral tribunal to a business entity.
- (e) Sponsorship services provided to any-body corporate or partnership firm.
- (f) Services supplied by the Central Government, State Government, Union Territory or local authority to business entity (except Postal and courier service, aircraft service, transport of goods or passengers)
- (g) Services supplied by the Central Government, State Government, Union Territory or local authority by way of renting of immovable property to a person registered under the CGST Act.
- (h) Services supplied by a director of a company or a body corporate to the company or body corporate.
- (i) Services supplied by an insurance agent to any person carrying on insurance business.
- (j) Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.
- (k) Services supplied by a person located in non-taxable territory by way of transportation of goods by vessel from a place outside India upto the customs station of clearance in India.
- (l) Services supplied by an Author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.
- (m) Supply of services by the members of Overseeing Committee to Reserve Bank of India.

Checkpoints :

1. Identify which services eligible for payment of tax under RCM are received by the registered person. All such services should be captured for payment. E.g. Proper differentiation should be done in Transport or Freight Charges and Goods Transport Agency Services. Transport / Freight Charges are exempt from tax, but Goods Transport Agency services are taxable.
2. Verify the process / system of determining liability under RCM. Confirm that all vendors supplying these specified services are captured in the working.
3. Check appropriate tax rate has been applied for payment of tax.
4. Check the payment is made by debiting the amount Cash Ledger.
5. Check the tax is paid as per the provisions of Section 13(3) of the CGST act, as earlier of the following dates –
 - a. Date of payment as entered in the books of account of the



- recipient or the date on which the payment is debited in his book of account, whichever is earlier, or
- b. The date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.
6. Check in case of supply by associate enterprises, where the supplier of service is located outside India, the payment shall be done immediately after the entry in the books of account of the recipient of supply or the date of payment whichever is earlier.
 7. Check invoice is raised by the recipient for payment of tax.
 8. Verify that the recipient has availed the Input Tax Credit in all eligible cases, where the tax has been paid under RCM.

iii) Reverse Charge on Import of Services –

Definition of Import of Service –

Section 2(11) of the IGST Act defines Import of Services as the supply of any service where –

- (i) The supplier of service is located outside India.
- (ii) The recipient of service is located in India and
- (iii) The place of supply of service is in India.

Section 5(1) of the IGST Act provides that IGST Tax shall be levied on all inter-state supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption.

Notification No. 10/2017 – Integrated Tax (Rate) dt.28.06.2017 covers same services as per Notification under CGST referred above. In addition, there is an entry as under –

Sl. No.	Category of supply of services	Supplier of service	Recipient of service
1	Any service supplied by any person who is located in a non-taxable territory to any person other than non-taxable person.	Any person located in a non-taxable territory.	Any person located in taxable territory other than non-taxable online recipient.

In view of this provision, when services are imported by any registered person, he is liable to pay the tax under Reverse Charge.

Section 7(4) of the IGST Act provides that – Supply of services imported into the territory of India shall be treated to be a supply of services in the course of inter-state trade or Commerce. In view of these provision, in case of import of services, the recipient has to pay IGST tax.

Checkpoints :

1. Verify all foreign exchange remittances pertaining to import of services.

2. Identify the payments which are liable for payment of tax under Reverse Charge.
3. Check the conversion rate which should be as per the generally accepted accounting principles - e.g. RBI rate for the date of time of supply.
4. Ensure that the tax liability under Reverse charge is discharged after payment.
5. Determine the Place of Supply of service correctly to ensure correct payment of tax.
6. Ensure that, if the services are received from Associated Enterprises, the tax is paid immediately after the date of entry in the books of account of the recipient or date of payment whichever is earlier.

iv) Reverse Charge for Services provided by Electronic Commerce Operator –

Section 2(45) of the CGST Act defines Electronic Commerce Operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Notification 17/2017 – Central Tax (Rate) dt. 28th June, 2017 provides that in the following categories of services, the tax on intra-State supplies shall be paid by the electronic commerce operator –

- (i) services by way of transportation of passengers by a radio –taxi , motor cab, maxicab and motor cycle ;
- (ii) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under sub -section (1) of section 22 of the said Central Goods and Services Tax Act.

v) Services of supply by person in non-taxable territory –

Section 14 of IGST Act makes special provision for payment of tax by supplier of online database access and retrieval services (OIDAR). It provides that if the supplier of service is located in non-taxable territory and received by non-taxable online recipient, the primary responsibility for payment of tax shall be on the supplier of service. However, if he supplies the services through intermediary or he has any person representing him in a taxable territory or he appoints any person as his representative, then he will not be liable for payment of GST. But, the intermediary or such representative shall be deemed to be receiving such service from a supplier in non-taxable territory.

Section 2(16) of the IGST Act defines non-taxable online recipient as Government, Local authority, Governmental authority, Individual and any person non registered under the GST Act and receiving service in relation



to any purpose other than commerce, industry or any other business or profession located in taxable territory.

B) Purchase of goods and / or services from Unregistered suppliers –

As per Section 9(4) of CGST Act and Section 5(3) of the IGST Act, tax is to be paid on RCM in respect of purchase of goods /services from unregistered persons.

Notification No.8/2017 (Central Tax) Rate dt. 28.06.2017 exempted purchase of goods and services from unregistered persons upto a value of ₹5000/- per day. Further, as per Notification No. 38/2017-Central tax (Rate)dt. 13.10.2017 and Notification No. 32/2017 Integrated Tax (Rate) dt. 13.10.2017, all categories of registered persons are exempted from these provisions without any monetary limit. This Exemption is in force till 30th June, 2018.

In view of this status, it should be seen what would the status of these provisions after 30th June, 2018.

Checkpoints –

1. Verify that the tax is paid upto 13.10.2017 in all eligible cases where the purchase of goods and services exceed the value of ₹5000/- per day.
2. Ensure that there is a mechanism ready to address the situation if these provisions are introduced after 30th June, 2018.
3. Verify that invoice is raised for payment of tax under reverse charge.
4. Verify that the Tax is paid by debiting the electronic cash ledger.
5. Verify that the Input Tax Credit is availed after payment of tax in eligible cases.
6. Check the exemptions if any applicable to the service and whether the same is claimed correctly.

Exemptions for certain services covered under Reverse Charge –

Notification No. 12/2017 – Central Tax (Rate) and Notification No. 9/2017 – Integrated Tax (Rate) dt.28.06.2017 grant exemption to certain services covered under Reverse Charge. These exemptions are conditional and the tax payer has to ensure that the relevant conditions are fulfilled and the exemption is rightly claimed. The specified services are –

1. Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation below one thousand rupees per day or equivalent.
2. Services provided by a goods transport agency, by way of transport in a goods carriage of -
 - (a) agricultural produce;
 - (b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage



- does not exceed one thousand five hundred rupees;
- (c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred and fifty;
 - (d) milk, salt and food grain including flour, pulses and rice;
 - (e) organic manure;
 - (f) newspaper or magazines registered with the Registrar of Newspapers;
 - (g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
 - (h) defence or military equipments.
3. Services provided by-
- (a) an arbitral tribunal to –
 - (i) any person other than a business entity; or
 - (ii) a business entity with aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year;
 - (b) a partnership firm of advocates or an individual as an advocate other than a senior advocate senior advocate, by way of legal services to-
 - (i) an advocate or partnership firm of advocates providing legal services;
 - (ii) any person other than a business entity; or
 - (iii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year;
 - (c) a senior advocate by way of legal services to-
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year.
4. Services by way of sponsorship of sporting events organized -
- (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
 - (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India



or Special Olympics Bharat;

- (c) by the Central Civil Services Cultural and Sports Board;
- (d) as part of national games, by the Indian Olympic Association; or
- (e) under the Panchayat Yuva Kreedha Aur Khel Abhiyan Scheme.

Return Filing

Returns under GST

The basic features of the return mechanism in GST includes electronic filing of returns, uploading of invoice level information, auto-population of information relating to input tax credit from returns of supplier to that of recipient, invoice level information matching and auto-reversal of input tax credit in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.

What is GST Return?

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required.

Who should file GST Returns?

In the GST regime, any regular business has to file three monthly returns and one annual return. This amounts to 37 returns in a year.

GSTR-1 monthly return filed electronically and other two returns – GSTR 2 & 3 will get auto-populated by deriving information from GSTR-1 filed by your vendors.

There are separate returns required to be filed by special cases such as composition dealers.

Types of GST Returns

Here is a list of all the returns to be filed as prescribed under the GST Law along with the due dates.

1.1 Any regular business:



As per the CGST Act (Note: subject to change by Notifications / orders)

Return Form	Particulars	Interval	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Monthly*	10th of the next month
GSTR-9	Annual Return	Annually	31st March of next financial year
GSTR-3B	Provisional return for every month	Monthly	20th of the next month

1.2. A dealer opting for composition scheme:

A composition dealer will enjoy the benefits of lesser returns & compliance along with payment of taxes at nominal rates. A composition dealer will file only 2 returns:

Return Form	Particulars	Interval	Due Date
GSTR-4	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter**
GSTR-9A	Annual Return	Monthly	31st March of next financial year

1.3. Returns to be filed by certain specific registered dealers:

Return Form	Particulars	Interval	Due Date
GSTR-5	Return for Non-Resident foreign taxable person	Monthly	20th of the next month***
GSTR-5A	Return for Non-resident persons providing OIDAR services	Monthly	20th of the next month***
GSTR-6	Return for Input Service Distributor	Monthly	13th of the next month***
GSTR-7	Return for authorities deducting tax at source.	Monthly	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month
GSTR-10	Final Return	Once. When registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN and claiming refund	Monthly	28th of the month following the month for which statement is filed



* Registered persons having aggregate turnover of up to ₹1.5 Crore in the preceding financial year or the current financial year shall furnish GSTR-1 on a quarterly basis.

Other Registered persons having aggregate turnover of more than ₹1.5 Crore shall furnish these returns on a monthly basis.

Revision of Returns:

The mechanism of filing of revised returns for any correction of errors/ omissions has been done away with. The rectification of errors/omissions is allowed in the return for subsequent month(s). However, no rectification is allowed after furnishing of the return for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

Interest on Late GST Payment

An interest of 18 percent is levied on the late payment of taxes under the GST regime. The interest would be levied for the days for which tax was not paid after the due date. An interest of 24 percent is levied on the wrong availment of ITC Credit.

Penalty for non-filing of GST Returns

In case a taxpayer does not file his/her return within the due dates, he/she shall have to pay a late fee of ₹200/- i.e. ₹100/- for CGST and ₹100/- for SGST per day (up to a maximum of

₹5,000/-) from the due date to the date when the returns are actually filed.

Note: In case of GSTR-3B

From the month of October 2017 onwards, the GST Council has recommended that the amount of late fee payable by a taxpayer whose tax liability for that month is 'NIL' is ₹20/- per day (₹10/- per day each under CGST & SGST Acts). However, if the tax liability for that month is not 'NIL', the amount of late fee is ₹50/- per day (₹25/- per day each under CGST & SGST Acts)

Check points by the Auditor:-

- Correctness of HSN Code and SAC Code
- Correctness of GST rates
- Correctness of taxes applicable on the basis of intra-state supply and inter-state supply, place of supply for goods and services
- Whether Output Tax liability has been determined and paid correctly.
- Details of Supply made under exemption notification/ Outward Supply
- Details of Supply of goods on approval basis
- Details of reimbursement excluded from the taxable value

- where registered person acted as pure agent
- Details of supply of capital goods or plant and machinery on which input tax credit had been availed- Sale of capital goods/ vehicle/tools
 - Details of Export sales with payment/ without payment of IGST
 - Details of Debit / Credit notes issued under GST
 - Details of Non GST Purchases- Petrol/Diesel
 - Treatment of canteen recovery /telephone recovery / bus recovery from employee
 - Whether balance of Cenvat Credit is transferred properly through TRAN 1
 - Details of Education Cess/Secondary Higher Education Cess / Krishi Kalyan Cess Carry forward in Trans-1
 - Whether interest has been paid correctly in case of delay in payment of tax
 - Whether refunds are claimed properly Levy on Mixed supply or Composite supply, Works Contract
 - Value of Supply- Inclusion and Exclusion of supply
 - Delay in payment of taxes along with interest @ 18%
 - Wrong payment of taxes under wrong accounting code
 - Reconciliation of Taxes payable as per GSTR-1, accounts Vs Tax Paid with GSTR-3B
 - Reconciliation of taxable turnover as per GSTR-1 vs. Turnover as per accounts within the state
 - Details of Transactions where value of supply is based on valuation rules- Inter unit/ Depot/ Employee
 - Amortisation in case of Tool supplied by vendor
 - Treatment of nonmoving stock written off
 - Review of Contracts in case of credit notes issued for the discounts
 - Reversal / Payment of Tax in case of Free sample/ free supply
 - Whether Returns are filed on or before due date.
 - Documents issued under GST
 - Reasons for the cancellation of the documents



Payment of Taxes

Payment of Taxes

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit (ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

There are 3 ledgers prescribed by the government that is required to be maintained by every tax payer –

1. Electronic Tax Liability Ledger

The electronic tax liability ledger shows the total tax liability of a registered person at any point of time. This detail can be accessed on the GST portal of a registered tax payer

- Amount of Tax Payable
- Interest , Late Fee
- Amount of Tax Payable along with interest on account mismatch of credit based on provisions of Section 29 or Section 29A or Section 43C
- Any other amount payable by the taxpayer or directed by the board on account of any proceedings carried out
- Tax Deducted at Source
- Tax Collection at Source
- Tax Payable under Reverse Charge
- Amount payable by the department against any interest , refund, penalty, late fee or any other determined under the proceedings of the Act
- Balance in Electronic Tax Liability Ledger

2. Electronic Cash Ledger

An Electronic Cash Ledger will also require to be maintained on the GST portal. It will show the amount deposited by the tax payer towards discharge of his tax liability or interest or late fee or penalty any other amounts.

Also, it is now mandatory for businesses making payment for more than ₹10,000 to do it electronically.

3. Electronic credit ledger

All the taxes paid on the inputs would be recorded in the electronic credit ledger. The input tax credit in each of the cases mentioned below, shall also be transferred to the electronic credit ledger:

- ITC available due to the taxes paid under the reverse charge mechanism shall also be transferred to the electronic credit

ledger.

- ❑ ITC available on goods/services used for the business and other purposes shall only be allowed to the extent applicable for business purposes.
- ❑ ITC available to the branch for the amount of credit transferred by ISD
- ❑ ITC allowed on input held in stock and the semi-finished or finished goods would be credited to electronic credit ledger if the taxpayer applies for registration within 30 days of becoming liable to pay tax.
- ❑ ITC available on the input held in stock and semi-finished or finished goods by a taxpayer in the composition scheme converting to a normal taxpayer shall be transferred to electronic credit ledger.

All the payments under GST have to be made by either using the input tax credit available in the electronic credit ledger or through the electronic cash ledger.

Utilizing ITC for the fulfillment of Tax liability:

IGST: After the IGST input tax credit is used for payment of IGST then the remaining ITC can be used to pay tax liability under CGST and SGST.

CGST: The CGST input tax credit cannot be used to pay the SGST liability but can be used to pay the liability under CGST.

SGST: The SGST input tax credit cannot be used to pay the CGST liability but can be used to pay the liability under CGST.

Check points by the Auditor:

- ❑ Whether all the payments were made within due date
- ❑ In case of delayed payment whether the interest has been paid
- ❑ Is there any payment made under wrong account head
- ❑ Refund claim filed if any for payment under wrong account head
- ❑ Reversal of Input tax credit shown in the Electronic Credit Ledger
- ❑ Reconciliation of cash ledger, credit ledger and liability ledger with their books of accounts.
- ❑ Whether all the reconciliation entries should be passed before the year end.
- ❑ Effect of debit note, credit note, rate difference, discount, etc also to be reconciled.



Export of Goods and Services

Export of Goods and Services

Section 2(5) of the IGST Act defines “export of goods” means taking goods out of India to a place outside India.

Section 2(6) of the IGST Act defines “export of services” means the supply of any service when,—

- (i) the supplier of service is located in India;
- (ii) the recipient of service is located outside India;
- (iii) the place of supply of service is outside India;
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and
- (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;

Zero Rated Supply

As per the GST Act, export of goods and Services supplied to other countries and supplies to a unit located in Special Economic Zone or to a developer of SEZ are considered as Zero Rated. Concept of zero rated supplies of goods and services has following objectives –

- (a) Taxes paid on supplies which are Zero Rated are refunded.
- (b) Input Tax credit on inputs, input services and capital goods used in such supplies is allowed.
- (c) When the supplies are made without payment of tax, the taxes paid on the inputs or input services – i.e. the unutilized input tax credit is refunded.

Thus, to qualify any transaction to be considered as Export of Goods, it must carry the goods outside the territory of India. If the goods are not physically moving out of territory of India, the transaction cannot be considered as Export of goods, even if the payment is received in foreign exchange.

Checkpoints in Export of Goods and Services–

1. Verify Letter of Undertaking (LUT) is executed before exporting the goods without payment of tax.
2. If the export is done under claim of rebate, tax should be properly



- paid and shown in the monthly returns.
3. The Tax Invoice and Shipping bill should have appropriate remark as to whether the export is under LUT or On payment of tax.
 4. The export documents should also have appropriate remarks if the export is against fulfillment of any export obligation e.g. Claim of Duty Drawback, Advance Authorization, EPCG obligation, MEIS etc.
 5. Shipping Bill details should be carefully entered in the GSTR-1 return. Otherwise, due to mis-matching, the refund will not be processed.
 6. In case of Services, instead of paying tax on services, the service provider can claim Refund of Input Tax Credit as per the provisions of Section 54 of CGST Act. Verify which option is exercised by the assessee.



Import of Goods and Services

Import of Goods and Services –

Definition of Import of Goods - Section 2(10) of the IGST Act, defines import of goods as bringing goods into India from a place outside India.

Import of Services already dealt with under Reverse Charge Mechanism.

For import of goods, instead of erstwhile CVD, IGST is charged and input tax credit is allowed of such IGST paid.

Checkpoints –

1. Check the IGST paid, Value declared on the Bill of Entry, taxes charged etc.
2. In case of High Seas sale, the tax is paid on the value of the buyer clearing the consignment. CBIC Circular No. 33/2017 – Customs dt. 1st August, 2017 clarified that in case of High Seas Sale the tax should be paid only once at the time of importation.
3. If the import is under any Export Promotion Scheme, the Bill of entry should have appropriate remarks on the same.
4. Check the credit is availed of IGST paid on all eligible cases.
5. As per provision to Sec. 5 of IGST Act, 2017, the integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962. Therefore provisions of RCM are not applicable to import of goods.



Job Work

Job Work

Job work means outsourcing of manufacturing activities for completion of a product beyond the premises of the principal manufacturer. The principal manufacturer gets the manufacturing facilities through job worker to meet requirement of customers. Job work is one of the most cost effective ways to get the finished goods without any investment on plant and machinery for manufacturing process.

Meaning of Job work in Pre-GST era

In pre-GST era Job Work was carried as per Notification No.214/86-CE and defined “Job Work” means processing or working upon of raw materials or semi-finished goods supplied to the job worker, so as to complete a part or of the process resulting in the manufacture or finishing of an article or any operation which is essential for the aforesaid process.

Meaning of Job work under GST law

Section 2 (68) of CGST Act, 2017, “Job work” means any treatment or process undertaken by a person on goods belonging to another registered person and expression “job worker” shall be constructed accordingly.

For example, big shoe manufacturers (principal) send out the half-made shoes (upper part) to smaller manufacturers (job worker) to fit in the soles. The job workers send back the shoes to the principal manufacturer.

Service classification for manufacturing services on physical inputs (goods) owned by others (job work) is 9988.

The registered person on whose goods (inputs or capital goods) job work is performed is called the “Principal” for the purpose of section 143 of the CGST Act. The principal must be a registered taxable person under Section 25 of the CGST Act, 2017. The person who undertakes to carry job working of another person is called “job worker”.

The transaction between principal and job worker is fully covered under scope of supply and GST is payable thereon. But there is exception in terms of Section 143(1) of the CGST Act, 2017 prescribed that registered person can send any inputs or capital goods, without payment of tax, to a Job worker for job work and there subsequently send to another job worker and likewise.

Facility of Job Working

As per Section 143(1) of CGST Act, 2017, the inputs and capital goods can be sent for job work. As per Section 19 (7) of CGST Act, 2017, Mould and dies, jigs and fixtures, or tools sent out to a job worker for job work.



Explanation: For purposes of job work, input includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or the job worker.

Concessional Rate of 5% for Certain Job work

As per Notification No. 11/2017-CT (Rate) and No. 8/2017-IT (Rate) both dated 28-06-2017, effective from 01-07-2017 as amended from time to time.

Services by way of job work in relation to

1. Printing of Newspapers
2. Textile and textile products falling under chapters 50 to 63 in the First schedule to the Customs Tariff Act, 1975. Thus, from 22-08-2017, job work of garments will also be subject to GST @5%.
3. All products falling under chapter 71 of Customs Tariff Act [Pearls, precious, and semi-precious stones, precious metals (like gold, silver, platinum) and their Articles, imitation jewellery, coin etc.]
4. Printing of books, journals and periodicals.
5. Printing of all goods falling under Chapter 48 or 49 which attracts GST rate of 5% or Nil.
6. All foods and food products falling under chapters 1 to 22 of Customs Tariff Act [inserted w.e.f. 13-10-2017]
7. Processing of Hides, skins and leather falling under chapter 41 in the First schedule to the Customs Tariff Act, 1975.
8. All products falling under Chapter 23 of Customs Tariff Act [residues and waste from food industries, prepared animal fodder] except dog and cat food put for retail sale [inserted w.e.f. 13-10-2017].
9. Manufacture of clay bricks falling under Tariff item 6901 00 10 [inserted w.e.f. 13-10-2017]
10. Manufacturing of clay bricks falling under tariff item 6901 00 10 [inserted w.e.f. 13-10-2017]
11. Manufacture of Handicraft goods as defined in Notification No. 32/2017-CT dated 15-09-2017 [inserted w.e.f. 15-11-2017]

Job work of Manufacture of Umbrella

GST rate in respect of job work of manufacture of umbrella is 12% [(6% CGST and 6% SGST)]w.e.f. 13.10.2017 Notification No. 11/2017 CT (Rate) and 8/2017 IT (Rate)both dated 28.06.2017 amended we.f.13.10.2017

Documents for movement of inputs and Capital goods to Job worker

Rule 55 (1) (c) of CGST Rules, 2017 provides that for the purpose of transportation of goods for job work, the principal manufacturer may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for

transportation , containing the following details , namely :

1. date and number of the delivery challan;
2. name, address and Goods and Services Tax Identification Number of the consigner, if registered;
3. name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
4. Harmonized System of Nomenclature code and description of goods;
5. quantity (provisional, where the exact quantity being supplied is not known);
6. taxable value;
7. tax rate and tax amount – Central tax, State tax, Integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
8. place of supply, in case of Inter- State movement; and
9. signature.

Sub-rule (2) of Rules 55, the delivery Challan shall be prepared in triplicate, in case of supply of goods (a) Original for Consignee, (b) Duplicate for transporter and (c) Triplicate for consignor.

Taking input tax credit in respect of inputs and capital goods sent for job work:

In terms of Section 19 (1) and 19(4) of CGST Act, the principal shall, subject to such conditions and restrictions as may be prescribed, be allowed to take credit of input tax on inputs and capital goods sent to a job worker for job work.

Further, as per Section 19(2) and 19(5) of the CGST Act, the principal shall be entitled to take credit of input tax on inputs and capital goods, even both are directly sent to a job worker for job work without their being first brought to his place of business.

Section 19 (3) of CGST Act, where the inputs sent for job work are not received back by the principal after completion of job work or otherwise or are not supplied from the place of business of the job worker in accordance with clause (a) or clause (b) of sub-section (1) of section 143 within one year of being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out:

Provided that where the inputs are sent directly to a job worker, the period of one year shall be counted from the date of receipt of inputs by the job worker.

Section 19 (6) of CGST Act, where the capital goods sent for job work are not received back by the principal within a period of three years of being sent out, it shall be deemed that such capital goods had been supplied by



the principal to the job worker on the day when the said capital goods were sent out:

Provided that where the capital goods are sent directly to a job worker, the period of three years shall be counted from the date of receipt of capital goods by the job worker

Conditions and restrictions in respect of inputs and capital goods sent to the job-worker

Rule 45 of CGST Rules, 2017 provides conditions and restrictions in respect of inputs and capital goods sent to the job worker and the sub-rules as under

- (1) The inputs, semi – finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.
- (2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.
- (3) The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in **FORM GST ITC-04** furnished for that period on or before the twenty- fifth day of the month succeeding the said quarter.
- (4) Where the inputs or capital goods are not returned to the principal within the time stipulated in section 143, it shall be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out and the said supply shall be declared in FORM GSTR-1 and the principal shall be liable to pay the tax along with applicable interest.

Levy and Collection of Tax on supply of services by Job worker

The concept of supply has been adopted to levy tax in place of manufacture of excisable goods and supply of taxable services. Section 7 of CGST Act, for the purpose of expression of “Supply” includes as specified at sub-section (d) that “the activities to be treated as supply of goods or supply of services as referred to in Schedule II”.

Schedule II of Section 7 provides the activities to be treated as supply of goods or supply of services and schedule II (3) any treatment or process which is applied to another person’s goods is a supply of services.

Thus, Job work process has carried by the Job worker on behalf of the principal and will attract GST on job work Charges, in case of threshold limit of ₹20 lakh of aggregate turnover exceeds in a financial year of a job worker. If the aggregate turnover exceeds the threshold limit the job worker would be required to obtain registration under section 25.

Further, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker. After completion of job work, if the goods directly supplied to the customers from the premises of the job worker, the value of such supply will be included in the aggregate turnover of the principal.

It is to be noted that in the erstwhile Central Excise and Service Tax provisions where job work charges or supply of services are subject to service tax only, if the process carried by job worker does not amount to manufacture.

Documents required for movement of goods for Job working :

(i) By the Principal to job worker –

The principal shall move goods to job worker under cover of challan in terms of rules 45 and 55 of the CGST Rules. The challan meant for job work shall be prepared in triplicate. Two copies of the challan may be sent to the job worker along with the goods. The job worker should send back one copy of the said challan to the principal along with the processed goods on completion of the job work. The **FORM GST ITC-04** will serve as the intimation as envisaged under section 143 of the CGST Act, 2017.

(ii) From one job worker to another job worker :

The goods may move under cover of challan issued either by the principal or the job worker. Alternatively, the challan issued by the principal may be endorsed by the job worker indicating the quantity and description of goods being sent.

(iii) From Job worker to the principal:

The job worker should send one copy of the challan received by him from the principal while returning the goods to the principal after carrying out the job work.

(iv) From supplier to the job worker:

As per instruction of the principal, the supplier may move goods from his premises to job worker premises with a copy of the invoice issued by the supplier in the name the principal as buyer and job worker's name and address should be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules. The principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly. In case of import of goods by the principal, after customs clearances of imported goods move directly from Customs station of import to premises of job worker with a copy of Bill of Entry and the principal shall issue challan under rule 45 of the CGST Rules and the challan is to be sent directly to the job worker.

(v) In piecemeal return by the job worker:

After completion of job work, if the piecemeal quantities are returned by the job worker to another job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

(vi) Submission of intimation:

It is clarified that it is the responsibility of the principal to include the details of all the challan relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom. The **FORM GST ITC-04** will serve as the intimation as envisaged under section 143 of the CGST Act.

Availability of input tax credit by the principal or job worker:

It is clarified that, in view of the provisions contained in clause (b) of sub-section (2) of section 16 of the CGST Act, the input tax credit would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker's place of business, without being brought to the premises of the principal. It is also clarified that the job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered under GST.

Check points by the Auditor

- Whether unregistered job workers place is added in registration as additional place of business.
- Is GST on RCM paid for all job work charges for the job work charges paid to unregistered job worker upto 13.10.2017
- Whether job work goods are received back within 180 days which are disclosed in the Trans-1 against the stock lying at job workers end.
- If the job work material is not received within specified time limit, whether GST is paid on the same by treating the same as supply.
- Valuation in case of job work for the related party
- Clearance of material directly from job workers premises
- Closure of the delivery challans in time limit 1 year for RM and 3 years for capital goods.
- Proper filing of ITC-04 on due date
- Whether Scrap generated at job workers premises is brought back or cleared from the job worker premises on payment of GST.
- E way bill for the job work material sent through delivery challan
- Job work register showing the outward, inward and balance quantity of materials, mould, tools and capital assets.



Input Service Distributor

As per Section 2(61) of CGST Act, 2017, “**Input Service Distributor**” means an office of the supplier of goods or services or both which **receives tax invoices** issued under section 31 towards the **receipt of input services** and issues a prescribed document for the purposes of distributing the credit of Central tax, State tax, Integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office

It is important to note that the ISD mechanism is meant only for distributing the credit on common invoices **pertaining to input services only and not goods (inputs or capital goods)**.

Who is an Input service distributor (ISD) under GST?

An Input service distributor (ISD) is a business which receives invoices for services used by its branches. It distributes the tax paid, to such branches on a proportional basis by issuing an ISD invoice.

The branches can have different GSTINs but must have the same PAN as that of ISD.

Insight on ISD under GST regime

Point of Difference	GST Regime
1. Who can be Input service distributor?	An office of the supplier of goods and/or services
2. Document based on which credit can be distributed	Receives tax invoices issued by supplier towards receipt of input services
3. How to distribute credit?	By issuing an ISD invoice for the purposes of distributing to a supplier of taxable goods and/or services having the same PAN as that of the office referred to above
4. Type of tax credit that can be distributed	The credit of CGST (SGST in State Acts) and/or IGST paid on the said services
5. To whom can it be distributed?	To supplier having the same PAN . i.e., credit cannot be distributed to outsourced manufacturers or service providers.

Thus, on looking into the highlighted differences between the two regimes, distribution of credit is restricted to office having the same PAN. The reason could be due to the shift of taxable event from manufacture to supply. The tax liability would arise at the



time of supply which would be ultimately paid by ISD on the utilization of available input tax credit.

5. Conditions to be fulfilled by ISD

- ❑ **Registration:** Input Service Distributor has to compulsorily register as “ISD” apart from its registration as a normal taxpayer under the Act, wherein he has to specify under serial number 14 of the REG-01 form as an ISD. Only then he shall be able to distribute the credit to the recipients.
- ❑ **Invoicing:** ISD can distribute the amount of tax credit to recipients as earlier stated by issuing an ISD invoice
- ❑ **Returns:** Amount of tax credit distributed should not exceed the amount of tax credit available with the ISD as at the end of a relevant month to be filed in GSTR-6 by 13th* of the succeeding month by ISD.

The recipient of the tax credit can view the tax credit so distributed by ISD in GSTR-2A that is auto-populated and in turn, can claim the same by filing GSTR-2.

An ISD need not file annual returns as ISD.

Distribution of Input Tax credit: The credit of tax paid under reverse charge mechanism is not available for distribution to the recipients. So, the ISD has to utilize such credit only as a normal taxpayer.

- 1) The tax credit available against any specific input services used entirely by one of the recipients can be allocated only to that recipient for utilization of such credit and not to other recipients.
- 2) The tax credit available against the input services used commonly by more than one recipients of the ISD shall be allocated to those recipients on a proportionate basis in the ratio of the turnover of all such recipients that are operational during the year
- 3) The tax credit available against the input services used commonly by all the recipients of the ISD shall be allocated to all the recipients on a proportionate basis in the ratio of the turnover of all the recipients that are operational during the year.

6. Recovery procedure for wrongful distribution of credit by ISD

GST Act provides that the following shall be deemed to be inappropriate distribution of tax credit by Input Service Distributor: credit distributed to all or any recipient in excess of the amount available for distribution distributed in an inappropriate ratio to all or any recipient distributed in excess to what a supplier is entitled to and shall be recovered from such recipient(s) along with interest and the provisions of 'Demand and Recovery' shall apply for effecting such recovery.

Manner of distribution of credit by Input Service Distributor

As per Section 20 of CGST Act, 2017 The Input Service Distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

- (1) ISD may distribute the credit in following manner

Credit of	CGST	IGST
Credit as	CGST (If Recipient is in Same State)	IGST (If Recipient is in other State)
	IGST (If Recipient is in other State)	CGST (If Recipient is in same State)

- (2) The Input Service Distributor may distribute the credit subject to the following conditions, namely : —
- (a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;
 - (b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;
 - (c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient; (in simple terms If one to one reference of credit is available, then Credit shall be distributed only to that recipient.)
 - (d) the credit of tax paid on input services attributable to **more than one recipient** of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution **shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient**, during the relevant period, to the aggregate of the turnover of **all such recipients** to whom such input



service is attributable and which are operational in the current year, during the said relevant period; (In simple term If credit is attributable to more than one recipient, then credit shall be distributed on **PRO RATA basis** of the turnover in a state of such recipient, during the relevant period, to the aggregate turnover of all such recipient.)

- (e) the credit of tax paid on input services attributable to **all recipients** of credit shall be distributed amongst such recipients and such distribution **shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient**, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period. (In simple term If credit is attributable to more than one recipient, then credit shall be distributed on **PRO RATA basis** of the turnover in a state of such recipient, during the relevant period, to the aggregate turnover of all such recipient.)

Procedure for distribution of ITC by ISD [Rule 39]

Rule 39 of CGST Rule. Procedure for distribution of input tax credit by Input Service Distributor.- (1) An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely,-

- (a) the input tax credit available for distribution in a month **shall be distributed in the same month** and the details thereof shall be furnished in FORM GSTR-6 in accordance with the provisions of Chapter VIII of these rules;
- (b) The ISD shall, in accordance with the clause iv, separately distribute the amount of – Ineligible ITC [Section 17(5) of CGST Act, 2017 – Eligible ITC;
- (c) the input tax credit on account of central tax, State tax, Union territory tax and integrated tax shall be distributed separately in accordance with the provisions of clause (d);
- (d) the input tax credit that is required to be distributed in accordance with the provisions of clause (d) and (e) of sub-section (2) of section 20 to one of the recipients 'R1', whether registered or not, from amongst the total of all the recipients to whom input tax credit is attributable, including the recipient(s) who are engaged

in making exempt supply, or are otherwise not registered for any reason, shall be the amount, “C1”, to be calculated by applying the following formula

$$C1 = (t1 \div T) \times C$$

where,

“C” is the amount of credit to be distributed,

“t1” is the turnover, as referred to in section 20, of person R1 during the relevant period, and

“T” is the aggregate of the turnover, during the relevant period, of all recipients to whom the input service is attributable in accordance with the provisions of section 20;

- (e) the input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient;
- (f) the input tax credit on account of central tax and State tax or Union territory tax shall-
 - (i) If recipient is in same state – then as CGST, SGST and UTGST respectively.
 - (ii) If recipient is in other state – then as IGST.
- (g) Input Service Distributor shall issue an **Input Service Distributor invoice**, as prescribed in sub-rule (1) of rule 54, clearly indicating in such invoice that it is issued only for distribution of input tax credit;
- (h) Input Service Distributor shall issue an **Input Service Distributor credit note**, as prescribed in sub-rule (1) of rule 54, for reduction of credit in case the input tax credit already distributed gets reduced for any reason;
- (i) any additional amount of input tax credit on account of issuance of a debit note to an Input Service Distributor by the supplier shall be distributed in the manner and subject to the conditions specified in clauses (a) to (f) and the amount attributable to any recipient shall be calculated in the manner provided in clause (d) and such credit shall be distributed in the month in which the debit note is included in the return in FORM GSTR-6;
- (j) any input tax credit required to be reduced on account of issuance of a credit note to the Input Service Distributor by the supplier shall be apportioned to each recipient in the same ratio in which the input tax credit contained in the original invoice was



distributed in terms of clause (d), and the amount so apportioned shall be-

- (i) reduced from the amount to be distributed in the month in which the credit note is included in the return in FORM GSTR-6; or
 - (ii) added to the output tax liability of the recipient where the amount so apportioned is in the negative by virtue of the amount of credit under distribution being less than the amount to be adjusted.
- (2) If the amount of input tax credit distributed by an Input Service Distributor is reduced later on for any other reason for any of the recipients, including that it was distributed to a wrong recipient by the Input Service Distributor, the process specified in clause (j) of sub-rule (1) shall apply, mutatis mutandis, for reduction of credit.
- (3) Subject to sub-rule (2), the Input Service Distributor shall, on the basis of the Input Service Distributor credit note specified in clause (h) of sub-rule (1), issue an Input Service Distributor invoice to the recipient entitled to such credit and include the Input Service Distributor credit note and the Input Service Distributor invoice in the return in FORM GSTR-6 for the month in which such credit note and invoice was issued.

Tax Invoice for Credit Distribution

As per Rule 54 of CGST Rules, 2017, an ISD have to issue an **ISD Invoice for distribution** of credit to his other units having separate GSTIN.

Submission of Return by an ISD

Every ISD shall, on the basis of details contained in **FORM GSTR-6A [Auto Populated]**, and where required, after adding, correcting or deleting the details, furnish electronically the **return in FORM GSTR-6**, containing the details of tax invoices on which credit has been received and those issued under section 20.

Points to be noted

- ❑ Section 20(1) does not permit distribution of CGST as SGST and vice versa. This flows from the fundamentals of the GST law wherein the credit of CGST cannot be utilized against SGST and vice versa.
- ❑ Input Service Distributor is not liable to furnish the details



of inward and outward supplies. Input Service Distributor is liable to file return in GSTR-6 on or before 13th of the month succeeding the tax period. The details relating to input tax credit distributed is communicated to the recipient in Part B of GSTR-6A.

- ISD is not required to file Annual Return.
- ISD registration is for one office of the taxpayer which will be different from the normal registration.
- The revenue generating units have GST liability, so rightly the ITC on those services used by them must be allocated to them to use the tax credit to set off against their tax liability.
- Different offices of a taxpayer can apply for ISD registration.
- Different offices like marketing division, security division etc. may apply for separate ISD.
- The credit distributed in contravention of provisions of Act could be recovered from the recipient to which it is distributed along with interest.
- ISDs need to file only a return in Form GSTR- 6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file a separate statement of inward and outward supplies.

Check points by the Auditor

- Whether ISD Registration is obtained
- Whether multiple ISD registrations are obtained
- Whether ITC has been distributed properly by ISD
- Manner of distribution of Common Services
- Whether RCM is paid under ISD Registration
- Whether ISD Invoices are raised under GST
- Whether monthly returns under ISD filed as GSTR-6
- Ratio of distribution under ISD
- Distribution of the eligible and Ineligible ITC under Section 17(5) of CGST Act, 2017
- Accounting entries in case of ISD ITC Transferred



- ❑ ITC cannot be transferred more than ITC Availed

Annual return.

1. Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year.
2. Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.



Refund

REFUND OF TAX

Normally, refund provisions apply in case of (a) zero rated supplies (exports and supplies to SEZ) and (b) Inverted duty structure i.e., input credit more than tax payable on output supply (but not in case of exempted supply or supply *Nil* rate of tax).

'Taxable Person' can also claim refund if he has paid excess tax by mistake. Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application in that regard to the proper officer of **IGST/CGST/SGST/UTGST** before the expiry of two years from the relevant date in prescribe form and manner – section 54(1) of **CGST** Act.

APPLICATION AND PROCEDURE OF REFUND

The application for refund shall be accompanied by –

- (a) Such documentary evidence as may be prescribed to establish that a refund is due to the applicant, and
- (b) Evidence that incidence of duty has not been passed on by him to any other person. However, where the amount claimed as refund is less than two lakh rupees, self-declaration based on documents available with him is sufficient. – section 54(4) of **CGST** Act.

Application for refund of tax, interest, penalty, fees or any other amount

Any person, except the persons covered by notification issued under section 55 (UN Agencies, Embassies), claiming refund of tax, interest, penalty, fees or any other amount paid by him, may file as application in form GST RFD-01 electronically – Rule 89(1) of **SGST** Rule, 2017.

- ❑ **Refund of balance in Electronic cash Ledger** – Any claim for refund relating to balance in the electronic cash ledger in accordance with the provisions of section 49(6) may also be made through the return furnished for the relevant tax period in form **GSTR-3**, form **GSTR-4** or form **GSTR-7**, as the case may be:- first *proviso* to Rule 89(1) of **CGST** and **SGST** Rules, 2017.
- ❑ **Refund application in case of supply of goods to SEZ** – In respect of supplies of goods to a Special Economic Zone

unit or a Special Economic Zone developer, the application for refund shall be filed by the supplier of goods after such have been admitted in the Special Economic Zone for authorized operations, as endorsed by the specified officer of the Zone – second *proviso* (a) to rule 89(1) of **CGST** and **SGST** Rule, 2017.

- ❑ **Refund application in case of supply of services to SEZ** – In respect of supplies of services to Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by supplier of services along with the evidence regarding receipt of services for authorized operations as endorsed by the specified officer of the Zone – second *proviso* (b) to Rule 89(1) of **CSGT** and **CGST** Rule, 2017.
- ❑ **Refund claim is case of deemed export either by recipient or supplier** – In respect of supplies regarded as deemed exports, the application may be filed by (a) the recipient of deemed export supplies; or (b) the supplier of deemed export supplies in case where the recipient does not avail input tax credit on such supplies and furnishes an undertaking to effect the supplier may claim the refund – third *proviso* to Rule 89(1) of **CGST** and **SGST** Rules, 2017 as amended w.e.f. 18-10-2017.
- ❑ **Refund of advance tax by casual or non-resident taxable person** – Refund of any amount, after adjusting the tax payable by the applicant out of the advance tax deposited by him under section 27 (casual taxable person or non-resident taxable person) at the time of registration, shall be claimed either in the last return required to furnish by him or only after furnishing of the said last return – fourth *proviso* to rule 89(1) of **CGST** and **SGST** Rules, 2017.

Documents to be filed with refund claim

The application for refund under rule 89(1) shall be accompanied by documentary evidences, *as applicable*, to establish that the refund is due to the applicant [Rule 89(2) of **CGST** and **SGST** Rules, 2017]

Reund of Unutilised Input Tax Credit

Subject to the provisions of section 54(10), a taxable person may claim refund of any unutilized input tax credit at the end of any tax period – section 54(3) of **CGST** Act.

[section 54(10) provides for recovery of penalty, tax or interest from any refund due].

No refund of unutilized input tax credit shall be allowed in cases other than exports including zero rated supplies or in case where the credit has accumulated on account of rate of tax on inputs being higher than rate of tax on output supplies, other than *nil* rated or fully exempted supplies – first *proviso to section 54(3) of CGST Act*.

No refund of unutilized input tax credit shall be allowed in case where the goods exported out of India are subjected to export duty – second *proviso to section 54(3) of CGST Act*.

No refund of input tax credit shall be allowed if the supplier of goods or services avails duty drawback of **CGST/SGST/UTGST** or claims refund of **IGST** paid on such supplies – third *proviso to section 54(3) of CGST Act*.

However, drawback of customs duty portion can be availed.

Drawback – “Drawback” in relation to any goods manufactured in India and exported, means the rebate of duty, tax or cess chargeable on imported inputs or any domestic inputs or input services used in the manufacture of such goods – section 2(42) of **CGST Act**.

Refund only in case of (a) exports and supplies to SEZ (b) inverted rate structure – Refund will be admissible only in case of physical exports and supplied to **SEZ**. Provision of ‘deemed export’ has been made in **CGST Act**. However, there is no specific provision of refund in case of deemed exports or supplies to **EOU**.

Refund is admissible if GST rate on inputs is higher than GST rate of output supplied. However, refund is not available in case where supply is exempted or *nil* rated – first *proviso to section 54(3) of CGST Act*.

Refund in Case of Inverted Duty Structure

In case of inverted duty rates (*i.e.* input tax credit more than tax payable on outward supply) there is provision of refund of excess credit under section 54(3) of **CGST** and **SGST Act**.

- ❑ **No refund if tax is Nil or exempted** – The refund is not admissible where the rate of output supply is *Nil* or exempted. Thus, some tax must be payable.
- ❑ **No refund in certain cases, even if ITC more than tax paid** – As per *proviso (ii) to section 54(3) of CGST and SGST Act*, Government can notify supply of goods and services where refund of unutilized Input Tax Credit (ITC) will not be admissible, even if ITC is more than tax payable on output supply. Under these powers, Notification No.5/2017-CT (Rate)



and 5/2017-IT (Rate) both dated 28-6-2017 has been issued. As per this notification, the refund is not admissible even if ITC is more than tax paid, in the following cases –

- (i) Woven textile fabrics falling under specified headings in chapters 50 to 55
- (ii) Knotted netting of twine, cordage of rope, made up of fishing nets or other made up nets, of textile fabrics, falling under heading = 5608 [inserted w.e.f. 14-11-2017]
- (iii) Corduroy fabrics falling under head 5801 [inserted w.e.f. 22-9-2017]
- (iv) Narrow woven fabrics (all goods) falling under chapter 60
- (v) Railway locomotives and their parts falling under heading 8601 to 8608

Restriction not applicable in case of export of aforesaid goods – This restriction is only in respect of refunds under section 54(3)(ii) of CGST Act. Thus, the restriction is not applicable to refund under section 54(3)(i) of CGST Act i.e. zero rated supplies. Hence, in case of export of these goods, refund of entire ITC will be available – MF(DR) circular No. 18/18/2017-GST, dated 16-11-2017. [The clarification is in respect of fabrics, but principle applies to all goods notified under Notification No. 5/2017-CT (Rate), dated 28-6-2017].

No refund of ITC even if input tax credit more than GST payable on outward supply in case of construction of complex – In case of services of construction of complex [specified in Item 5(b) of Schedule II of CGST Act], refund of unutilized ITC will not be available – Notification No. 15/2017-CT (Rate) and 12/2017-IT (Rate) both dated 28-6-2017.

Refund in Case of Export or Supplies to SEZ

The taxable person has following options – (a) pay IGST on exports and claim refund of IGST (b) Clear goods for export without payment of IGST and claim refund of ITC (c) If this part supplies are exports, he can utilize that credit for payment of GST on supplies within India. In that case he need not apply for refund at all.

The procedure for exports and claiming of refund has been discussed in the chapter on 'Exports'.

Additional Checks:

- ❑ Identify source documents- Tax Invoice, Debit Note and Credit Note, check entries in records to source document on sample basis.



- ❑ Interest on delayed payment of tax should be calculated as per rate prescribed, based on daily basis from the due date to the date of actual payment.
- ❑ Use “Mark-Up’ technique based on inward supplies combined with an inventory check to ascertain if there are any suppressed supplies on which tax invoices not issued.
- ❑ Verify the Asset Schedule in Financials to know the disposal of used capital goods, whether output tax has been levied and discharged.
- ❑ Verify bank statements on test check basis for evidence of payments against invoices on which input tax credit has been availed.
- ❑ Reconcile the inward supplies as per financials with inward supply register and ascertain whether all inward supplies are reported in the monthly returns (Ensure that exempt, nil and non GST inward supplies are reported in monthly returns (GSTR3B)
- ❑ Verify input tax credit register and ensure that proportionate reversal is made for common inward supplies used for exempted or non-taxable supplies.
- ❑ Verify the stock take reports and ascertain how the excess and shortages are accounted in the stock ledger/bin card and report the tax discharged on shortages adjusted, items scrapped, samples and lost destroyed or stolen goods.
- ❑ Verify whether the organization is maintaining proper cost records, maintenance of proper cost records indicates the adherence to the systems in the organization and tracking of the resources consumption.

Recommendatory Formats for GST Audit

Reconciliation Statement

Sl. No.	Particulars	Consolidated amount as per	Amount as per audited financial statements (for the GSTIN)	Difference
A) Details of supplies and corresponding taxes				
1.	Total outward supplies			
2.	Total inward supplies			
3.	Total tax liability on output supply and supplies liable to reverse charge			
4.	Input tax credit availed during the year			
B) Payment of tax liability on output supply and supplies liable to reverse charge				
5.	By utilising cash in cash ledger			
6.	By utilising input tax credit ledger			
7.	By utilising TDS in cash ledger			
C) Other details				
8.	Deposit by challans			
9.	Transfer of TDS from deductors			
10.	Refunds			
11.	Amounts paid under protest/ as pre-deposit against demand			
12.	Balances as on date of financial statements (GST payable)			
13.	Balances as on date of financial statements (ITC)			
14.	TDS deducted			

Reconciliation of 'Total tax liability on output supply and supplies liable to reverse charge'

Particulars	As per Annual return				As per Auditor				Difference				Remarks
	CGST	SGST	IGST	Total	CGST	SGST	IGST	Total	CGST	SGST	IGST	Total	
	Tax liabilities on:												
Inter-State supplies	NA	NA			NA	NA			NA	NA			
Intra-State supplies			NA				NA				NA		
Exports	NA	NA			NA	NA			NA	NA			
Supplementary Invoice / Debit Notes													
Sales returns / Credit Notes													
Supplies liable to reverse charge													
Total													

Reconciliation of 'Payment of Tax liability on output supply and supplies liable to reverse charge'

Particulars	As per return				As per financial statements				Difference				Remarks
	CGST	SGST	IGST	Total	CGST	SGST	IGST	Total	CGST	SGST	IGST	Total	
	By Utilising Cash in Cash Ledger												
By Utilising Input tax Credit Ledger	NA	NA			NA	NA			NA	NA			
By Utilising TDS in Cash Ledger			NA				NA				NA		

Reconciliation of 'Balances as on date of financial statements (GST payable)'

Particulars	CGST	SGST	IGST	Cess	Total
Balance of GST payable as per returns					
Balance of Input tax credit as per Financial statements					
Difference					
Reason for difference					
Reason 1					
Reason 2					
Reason 3					
Reason 4					
Total					

Details of Income

(A) Total value of supplies on which GST paid (inter-State Supplies)

Goods Sl. No.	Description	HSN Code	As per Annual Return		Quantity	As per audit		Reason for differences
			Quantity	Taxable value		Tax Rate	Taxable value	
1								
2								
3								



Services			As per Annual Return				Quantity		As per audit	
Sl. No.	Description	Service code	Quantity	Tax Rate	Taxable value	IGST	Tax Rate	Taxable value	IGST	
1										
2										
3										

(B) Total value of supplies on which GST paid (intra-State Supplies)

Sl. No.	Description	HSN Code	As per Annual Return				As per audit				Reason for differences
			Quantity	Tax-able value	CGST Rate	SGST Rate	Quantity	Taxable value	CGST Rate	SGST Rate	
1											
2											
3											

Sl. No.	Description	HSN Code	As per Annual Return				As per audit				
			Quantity	Taxable value	CGST Rate	SGST Rate	Quantity	Taxable value	CGST Rate	SGST Rate	
1											
2											
3											

(C) Total value of supplies on which GST Paid (Exports)

Goods		As per Annual Return				As per audit				Reason for differences			
Sl. No.	Description	HSN Code	Quantity	Tax Rate	FOB Value	IGST	Customs Duty	Quantity	Tax Rate		FOB Value	IGST	Customs Duty
1													
2													
3													

Goods		As per Annual Return						As per audit					
Sl. No.	Description	Service Code	Quantity	Tax Rate	FOB Value	IGST	Customs Duty	Tax Rate	Quantity	Tax Rate	FOB Value	IGST	Customs Duty
1													
2													
3													

(D) Total value of supplies on which no GST Paid (Exports)

Goods		As per Annual Return				As per audit				Reason for differences		
Sl. No.	Description	HSN Code	Quantity	Tax Rate	FOB Value	Quantity	Tax Rate	FOB Value	Quantity		Tax Rate	FOB Value
1												
2												
3												

Goods		As per Annual Return				As per audit					
Sl. No.	Description	Service Code	Quantity	Tax Rate	FOB Value	Quantity	Tax Rate	FOB Value	Quantity	Tax Rate	FOB Value
1											
2											
3											



(E) Value of Other Supplies on which no GST paid

Sl. No.	Goods/ service	As per Annual return		As per Audit		Reason for differences
		Value		Value		
1.						
2.						
3.						

(F) Sales Returns

Goods Sl. No.	Description	HSN Code	As per Annual Return			As per audit			Reason for differences
			Quantity	Tax Value	IGST	Quantity	Tax-able value	IGST	
1									
2									
3									

(G) Other Income (Income other than from supplies)

Sl. No.	Specify Head	As per Annual return		As per Audit		Reason for differences
		Amount		Amount		
1.						
2.						
3.						

GST Payable (Liability – Outward Supply)

Month	As per Books				As per Returns-GSTR 3B				Difference						
	IGST	CGST	SGST	Cess	Total	IGST	CGST	SGST	Cess	Total	IGST	CGST	SGST	Cess	Total
April	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



GST Payable (Liability - RCM)

Month	As per Books				As per Returns-GSTR 3B				Difference						
	IGST	CGST	SGST	Cess	Total	IGST	CGST	SGST	Cess	Total	IGST	CGST	SGST	Cess	Total
April	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



PRODUCT CLASSIFICATION (Self Certification for HSN)

SI No.	Final Product								Input						Remarks
	UOM	Full Description of final product	Description as would appear in the invoice	Specifications having a bearing on either classification or the commercial nomenclature	HSN Chapter heading No. & sub - heading No. of the schedule under which each goods fall.	Rate of Tax leviable	No. & date of the relevant notification (S) if any, having bearing on applicable rate of tax	Description of inputs	UOM	Nature of the input i.e whether raw material, component, packaging material, catalyst solvent etc.,	Input item tariff classification	Description of intermediate products, if any	Intermediate product -Tariff classification		
1.								(i)							
								(ii)							
								(iii)							
								(iv)							
								(v)							
2.								(i)							
								(ii)							
								(iii)							
								(iv)							
								(v)							
3.								(i)							
								(ii)							
								(iii)							
								(iv)							
								(v)							

Approved GST Return Formats notified by Govt.

GSTR-9

"FORM GSTR-9 (See rule 80) Annual Return						
Pt. I Basic Details						
1	Financial Year					
2	GSTIN					
3A	Legal Name					
3B	Trade Name (if any)					
Pt. II Details of Outward and inward supplies declared during the financial year						
		(Amount in ₹ in all tables)				
	Nature of Supplies	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
4 Details of advances, inward and outward supplies on which tax is payable as declared in returns filed during the financial year						
A	Supplies made to un-registered persons (B2C)					
B	Supplies made to registered persons (B2B)					
C	Zero rated supply (Export) on payment of tax (except supplies to SEZs)					
D	Supply to SEZs on payment of tax					
E	Deemed Exports					



F	Advances on which tax has been paid but invoice has not been issued (not covered under (A) to (E) above)					
G	Inward supplies on which tax is to be paid on reverse charge basis					
H	Sub-total (A to G above)					
I	Credit Notes issued in respect of transactions specified in (B) to (E) above (-)					
J	Debit Notes issued in respect of transactions specified in (B) to (E) above (+)					
K	Supplies / tax declared through Amendments (+)					
L	Supplies / tax reduced through Amendments (-)					
M	Sub-total (I to L above)					
N	Supplies and advances on which tax is to be paid (H + M) above					
5	Details of Outward supplies on which tax is not payable as declared in returns filed during the financial year					
A	Zero rated supply (Export) without payment of tax					
B	Supply to SEZs without payment of tax					
C	Supplies on which tax is to be paid by the recipient on reverse charge basis					
D	Exempted					
E	Nil Rated					
F	Non-GST supply					
G	Sub-total (A to F above)					
H	Credit Notes issued in respect of transactions specified in A to F above (-)					
I	Debit Notes issued in respect of transactions specified in A to F above (+)					
J	Supplies declared through Amendments (+)					
K	Supplies reduced through Amendments (-)					
L	Sub-Total (H to K above)					
M	Turnover on which tax is not to be paid (G + L above)					
N	Total Turnover (including advances) (4N + 5M - 4G above)					
Pt. III	Details of ITC as declared in returns filed during the financial year					
	Description	Type	Central Tax	State Tax /	Integrated Tax	Cess

			UT Tax		
	1	2	3	4	5
6	Details of ITC availed as declared in returns filed during the financial year				
A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)		<Auto>	<Auto>	<Auto>
B	Inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs)	Inputs			
		Capital Goods			
		Input Services			
C	Inward supplies received from unregistered persons liable to reverse charge (other than B above) on which tax is paid & ITC availed	Inputs			
		Capital Goods			
		Input Services			
D	Inward supplies received from registered persons liable to reverse charge (other than B above) on which tax is paid and ITC availed	Inputs			
		Capital Goods			
		Input Services			
E	Import of goods (including supplies from SEZs)	Inputs			
		Capital Goods			
F	Import of services (excluding inward supplies from SEZs)				
G	Input Tax credit received from ISD				
H	Amount of ITC reclaimed (other than B above) under the provisions of the Act				
I	Sub-total (B to H above)				
J	Difference (I - A above)				
K	Transition Credit through TRAN-I (including revisions if any)				
L	Transition Credit through TRAN-II				
M	Any other ITC availed but not specified above				
N	Sub-total (K to M above)				
O	Total ITC availed (I + N above)				
7	Details of ITC Reversed and Ineligible ITC as declared in returns filed during the financial year				
A	As per Rule 37				
B	As per Rule 39				
C	As per Rule 42				
D	As per Rule 43				
E	As per section 17(5)				
F	Reversal of TRAN-I credit				
G	Reversal of TRAN-II credit				
H	Other reversals (pl. specify)				
I	Total ITC Reversed (A to H above)				
J	Net ITC Available for Utilization (6O - 7I)				
8	Other ITC related information				
A	ITC as per GSTR-2A (Table 3 & 5 thereof)		<Auto>	<Auto>	<Auto>
B	ITC as per sum total of 6(B) and 6(H) above		<Auto>		



C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 but availed during April to September, 2018						
D	Difference [A-(B+C)]						
E	ITC available but not availed (out of D)						
F	ITC available but ineligible (out of D)						
G	IGST paid on import of goods (including supplies from SEZ)						
H	IGST credit availed on import of goods (as per 6(E) above)			<Auto>			
I	Difference (G-H)						
J	ITC available but not availed on import of goods (Equal to I)						
K	Total ITC to be lapsed in current financial year (E + F + J)			<Auto>	<Auto>	<Auto>	<Auto>
Pt. IV	Details of tax paid as declared in returns filed during the financial year						
9	Description	Tax Payable	Paid through cash	Paid through ITC			
				Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6	7
	Integrated Tax						
	Central Tax						
	State/UT Tax						
	Cess						
	Interest						
	Late fee						
	Penalty						
	Other						
Pt. V	Particulars of the transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY whichever is earlier						
	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	
	1	2	3	4	5	6	
10	Supplies / tax declared through Amendments (+) (net of debit notes)						
11	Supplies / tax reduced through Amendments (-) (net of credit notes)						
12	Reversal of ITC availed during previous financial year						
13	ITC availed for the previous financial year						
14	Differential tax paid on account of declaration in 10 & 11 above						
	Description	Payable	Paid				
	1	2	3				

	Integrated Tax							
	Central Tax							
	State/UT Tax							
	Cess							
	Interest							
Pt. VI	Other Information							
15	Particulars of Demands and Refunds							
	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending out of E above							
16	Information on supplies received from composition taxpayers, deemed supply under section 143 and goods sent on approval basis							
	Details			Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1			2	3	4	5	6
A	Supplies received from Composition taxpayers							
B	Deemed supply under Section 143							
C	Goods sent on approval basis but not returned							
17	HSN Wise Summary of outward supplies							
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9



18 HSN Wise Summary of Inward supplies								
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9
19 Late fee payable and paid								
	Description				Payable		Paid	
	1				2		3	
A	Central Tax							
B	State Tax							

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Signature

Place

Name of Authorised Signatory

Date

Designation / Status

Instructions: –

1. Terms used:
 - a. GSTIN: Goods and Services Tax Identification Number
 - b. UQC: Unit Quantity Code
 - c. HSN: Harmonized System of Nomenclature Code
2. The details for the period between July 2017 to March 2018 are to be provided in this return.
3. Part II consists of the details of all outward supplies & advances received during the financial year for which the annual return is filed. The details filled in Part II is a consolidation of all the supplies declared by the taxpayer in the returns filed during the financial year. The instructions to fill Part II are as follows:

Table No.	Instructions
4A	Aggregate value of supplies made to consumers and unregistered persons on which tax has been paid shall be declared here. These will include details of supplies made through E-Commerce operators and are to be declared as net of credit notes or debit notes issued in this regard. Table 5, Table 7 along with respective amendments in Table 9 and Table 10 of FORM GSTR-1 may be used for filling up these details.
4B	Aggregate value of supplies made to registered persons (including supplies made to UINs) on which tax has been paid shall be declared here. These will include supplies made through E-Commerce operators but shall not include supplies on which tax is to be paid by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4A and Table 4C of FORM GSTR-1 may be used for filling up these details.
4C	Aggregate value of exports (except supplies to SEZs) on which tax has been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.
4D	Aggregate value of supplies to SEZs on which tax has been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.
4E	Aggregate value of supplies in the nature of deemed exports on which tax has been paid shall be declared here. Table 6C of FORM GSTR-1 may be used for filling up these details.
4F	Details of all unadjusted advances i.e. advance has been received and tax has been paid but invoice has not been issued in the current year shall be declared here. Table 11A of FORM GSTR-1 may be used for filling up these details.
4G	Aggregate value of all inward supplies (including advances and net of credit and debit notes) on which tax is to be paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis. This shall include supplies received from registered persons, unregistered persons on which tax is levied on reverse charge basis. This shall also include aggregate value of all import of services. Table 3.1(d) of FORM GSTR-3B may be used for filling up these details.
4I	Aggregate value of credit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.



4J	Aggregate value of debit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
4K & 4L	Details of amendments made to B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E), credit notes (4I), debit notes (4J) and refund vouchers shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.
5A	Aggregate value of exports (except supplies to SEZs) on which tax has not been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.
5B	Aggregate value of supplies to SEZs on which tax has not been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.
5C	Aggregate value of supplies made to registered persons on which tax is payable by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4B of FORM GSTR-1 may be used for filling up these details.
5D,5E AND 5F	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here. Table 8 of FORM GSTR-1 may be used for filling up these details. The value of “no supply” shall also be declared here.
5H	Aggregate value of credit notes issued in respect of supplies declared in 5A,5B,5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
5I	Aggregate value of debit notes issued in respect of supplies declared in 5A,5B,5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
5J & 5K	Details of amendments made to exports (except supplies to SEZs) and supplies to SEZs on which tax has not been paid shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.
5N	Total turnover including the sum of all the supplies (with additional supplies and amendments) on which tax is payable and tax is not payable shall be declared here. This shall also include amount of advances on which tax is paid but invoices have not been issued in the current year. However, this shall not include the aggregate value of inward supplies on which tax is paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis.

4. Part III consists of the details of all input tax credit availed and reversed in the financial year for which the annual return is filed. The instructions to fill Part III are as follows:

Table No.	Instructions
6A	Total input tax credit availed in Table 4A of FORM GSTR-3B for the taxpayer would be auto-populated here.
6B	Aggregate value of input tax credit availed on all inward supplies except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details. This shall not include ITC which was availed, reversed and then reclaimed in the ITC ledger. This is to be declared separately under 6(H) below.

6C	Aggregate value of input tax credit availed on all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(3) of FORM GSTR-3B may be used for filling up these details.
6D	Aggregate value of input tax credit availed on all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(3) of FORM GSTR-3B may be used for filling up these details.
6E	Details of input tax credit availed on import of goods including supply of goods received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs and capital goods. Table 4(A)(1) of FORM GSTR-3B may be used for filling up these details.
6F	Details of input tax credit availed on import of services (excluding inward supplies from SEZs) shall be declared here. Table 4(A)(2) of FORM GSTR-3B may be used for filling up these details.
6G	Aggregate value of input tax credit received from input service distributor shall be declared here. Table 4(A)(4) of FORM GSTR-3B may be used for filling up these details.
6H	Aggregate value of input tax credit availed, reversed and reclaimed under the provisions of the Act shall be declared here.
6J	The difference between the total amount of input tax credit availed through FORM GSTR-3B and input tax credit declared in row B to H shall be declared here. Ideally, this amount should be zero.
6K	Details of transition credit received in the electronic credit ledger on filing of FORM GST TRAN-I including revision of TRAN-I (whether upwards or downwards), if any shall be declared here.
6L	Details of transition credit received in the electronic credit ledger after filing of FORM GST TRAN-II shall be declared here.
6M	Details of ITC availed but not covered in any of heads specified under 6B to 6L above shall be declared here. Details of ITC availed through FORM ITC-01 and FORM ITC-02 in the financial year shall be declared here.
7A, 7B, 7C, 7D, 7E, 7F, 7G and 7H	Details of input tax credit reversed due to ineligibility or reversals required under rule 37, 39,42 and 43 of the CGST Rules, 2017 shall be declared here. This column should also contain details of any input tax credit reversed under section 17(5) of the CGST Act, 2017 and details of ineligible transition credit claimed under FORM GST TRAN-I or FORM GST TRAN-II and then subsequently reversed. Table 4(B) of FORM GSTR-3B may be used for filling up these details. Any ITC reversed through FORM ITC -03 shall be declared in 7H.
8A	The total credit available for inwards supplies (other than imports and inwards supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 and reflected in FORM GSTR-2A (table 3 & 5 only) shall be auto-populated in this table. This would be the aggregate of all the input tax credit that has been declared by the corresponding suppliers in their FORM GSTR-I.
8B	The input tax credit as declared in Table 6B and 6H shall be auto-populated here.



8C	Aggregate value of input tax credit availed on all inward supplies (except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs) received during July 2017 to March 2018 but credit on which was availed between April to September 2018 shall be declared here. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details.
8E & 8F	Aggregate value of the input tax credit which was available in FORM GSTR-2A (table 3 & 5 only) but not availed in any of the FORM GSTR-3B returns shall be declared here. The credit shall be classified as credit which was available and not availed or the credit was not availed as the same was ineligible. The sum total of both the rows should be equal to difference in 8D.
8G	Aggregate value of IGST paid at the time of imports (including imports from SEZs) during the financial year shall be declared here.
8H	The input tax credit as declared in Table 6E shall be auto-populated here.
8K	The total input tax credit which shall lapse for the current financial year shall be computed in this row.

5. Part IV is the actual tax paid during the financial year. Payment of tax under Table 6.1 of FORM GSTR-3B may be used for filling up these details.
6. Part V consists of particulars of transactions for the previous financial year but declared in the returns of April to September of current FY or date of filing of Annual Return for previous financial year (for example in the annual return for the FY 2017-18, the transactions declared in April to September 2018 for the FY 2017-18 shall be declared), whichever is earlier. The instructions to fill Part V are as follows:

Table No.	Instructions
10 & 11	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 9A, Table 9B and Table 9C of FORM GSTR-1 of April to September of the current financial year or date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.
12	Aggregate value of reversal of ITC which was availed in the previous financial year but reversed in returns filed for the months of April to September of the current financial year or date of filing of Annual Return for previous financial year, whichever is earlier shall be declared here. Table 4(B) of FORM GSTR-3B may be used for filling up these details.
13	Details of ITC for goods or services received in the previous financial year but ITC for the same was availed in returns filed for the months of April to September of the current financial year or date of filing of Annual Return for the previous financial year whichever is earlier shall be declared here. Table 4(A) of FORM GSTR-3B may be used for filling up these details.

7. Part VI consists of details of other information. The instructions to fill Part VI are as follows:

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand as declared in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.
16A	Aggregate value of supplies received from composition taxpayers shall be declared here. Table 5 of FORM GSTR-3B may be used for filling up these details.
16B	Aggregate value of all deemed supplies from the principal to the job-worker in terms of sub-section (3) and sub-section (4) of Section 143 of the CGST Act shall be declared here.
16C	Aggregate value of all deemed supplies for goods which were sent on approval basis but were not returned to the principal supplier within one eighty days of such supply shall be declared here.
17 & 18	Summary of supplies effected and received against a particular HSN code to be reported only in this table. It will be optional for taxpayers having annual turnover upto ₹ 1.50 Cr. It will be mandatory to report HSN code at two digits level for taxpayers having annual turnover in the preceding year above ₹ 1.50 Cr but upto ₹ 5.00 Cr and at four digits' level for taxpayers having annual turnover above ₹5.00 Cr. UQC details to be furnished only for supply of goods. Quantity is to be reported net of returns. Table 12 of FORM GSTR -1 may be used for filling up details in Table 17.
19	Late fee will be payable if annual return is filed after the due date.



GSTR-9A

FORM GSTR-9A (See rule 80) Annual Return (For Composition Taxpayer)							
Pt. I Basic Details							
1	Financial Year						
2	GSTIN						
3A	Legal Name	<Auto>					
3B	Trade Name (if any)	<Auto>					
4	Period of composition scheme during the year (From ---- To ----)						
5	Aggregate Turnover of Previous Financial Year						
(Amount in ₹ in all tables)							
Pt. II Details of outward and inward supplies declared in returns filed during the financial year							
	Description	Turnover	Rate of Tax	Central Tax	State / UT Tax	Integrated tax	Cess
	1	2	3	4	5	6	7
6	Details of Outward supplies on which tax is payable as declared in returns filed during the financial year						
A	Taxable						
B	Exempted, Nil-rated						
C	Total						
7	Details of inward supplies on which tax is payable on reverse charge basis (net of debit/credit notes) declared in returns filed during the financial year						
	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	
	1	2	3	4	5	6	
A	Inward supplies liable to reverse charge received from registered persons						
B	Inward supplies liable to reverse charge received from unregistered persons						
C	Import of services						
D	Net Tax Payable on (A), (B) and (C) above						
8	Details of other inward supplies as declared in returns filed during the financial year						
A	Inward supplies from registered persons (other than 7A above)						
B	Import of Goods						
Pt. III Details of tax paid as declared in returns filed during the financial year							
9	Description		Total tax payable	Paid			
	1	2	3				
	Integrated Tax						
	Central Tax						
	State/UT Tax						



	Interest							
	Late fee							
	Penalty							
Pt. IV	Particulars of the transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY whichever is earlier							
	Description	Turnover	Central Tax	State Tax / UT Tax	Integrated Tax	Cess		
	1	2	3	4	5	6		
10	Supplies / tax (outward) declared through Amendments (+) (net of debit notes)							
11	Inward supplies liable to reverse charge declared through Amendments (+) (net of debit notes)							
12	Supplies / tax (outward) reduced through Amendments (-) (net of credit notes)							
13	Inward supplies liable to reverse charge reduced through Amendments (-) (net of credit notes)							
14	Differential tax paid on account of declaration made in 10, 11, 12 & 13 above							
	Description	Payable			Paid			
	1	2			3			
	Integrated Tax							
	Central Tax							
	State/UT Tax							
	Cess							
	Interest							
Pt. V	Other Information							
15	Particulars of Demands and Refunds							
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5	6	7	8
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of taxes							



F	Total taxes paid in respect of E above						
G	Total demands pending out of E above						
16	Details of credit reversed or availed						
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess		
	1	2	3	4	5		
A	Credit reversed on opting in the composition scheme (-)						
B	Credit availed on opting out of the composition scheme (+)						
17	Late fee payable and paid						
	Description	Payable		Paid			
	1	2		3			
A	Central Tax						
B	State Tax						

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Place

Signature

Name of Authorised

Signatory

Designation / Status

Date



Instructions: –

1. The details for the period between July 2017 to March 2018 shall be provided in this return.
2. Part I consists of basic details of taxpayer. The instructions to fill Part I are as follows :

Table No.	Instructions
5	Aggregate turnover for the previous financial year is the turnover of the financial year previous to the year for which the return is being filed. For example for the annual return for FY 2017-18, the aggregate turnover of FY 2016-17 shall be entered into this table. It is the sum total of turnover of all taxpayers registered on the same PAN.

3. Part II consists of the details of all outward and inward supplies in the financial year for which the annual return is filed. The instructions to fill Part II are as follows:

Table No.	Instructions
6A	Aggregate value of all outward supplies net of debit notes / credit notes, net of advances and net of goods returned for the entire financial year shall be declared here. Table 6 and Table 7 of FORM GSTR-4 may be used for filling up these details.
6B	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here.
7A	Aggregate value of all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here. Table 4B, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.
7B	Aggregate value of all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. Table 4C, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.
7C	Aggregate value of all services imported during the financial year shall be declared here. Table 4D and Table 5 of FORM GSTR-4 may be used for filling up these details.
8A	Aggregate value of all inward supplies received from registered persons on which tax is payable by the supplier shall be declared here. Table 4A and Table 5 of FORM GSTR-4 may be used for filling up these details.
8B	Aggregate value of all goods imported during the financial year shall be declared here.

4. Part IV consists of the details of amendments made for the supplies of the previous financial year in the returns of April to September of the current FY or date of filing of Annual Return for previous financial year (for example in the annual return for the FY 2017-18, the transactions declared in April to September 2018 for the FY 2017-18 shall be declared), whichever is earlier. The instructions to fill Part V are as follows:

Table No.	Instructions
10,11, 12,13 and 14	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 5 (relating to inward supplies) or Table 7 (relating to outward supplies) of FORM GSTR- 4 of April to September of the current financial year or upto the date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.

5. Part V consists of details of other information. The instruction to fill Part V are as follows:

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority has been issued shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.
16A	Aggregate value of all credit reversed when a person opts to pay tax under the composition scheme shall be declared here. The details furnished in FORM ITC-03 may be used for filling up these details.
16B	Aggregate value of all the credit availed when a registered person opts out of the composition scheme shall be declared here. The details furnished in FORM ITC-01 may be used for filling up these details.
17	Late fee will be payable if annual return is filed after the due date.”;



“FORM GSTR-9C

See rule 80(3)

PART – A - Reconciliation Statement

Pt I	Basic Details		
1	Financial Year		
2	GSTIN		
3A	Legal Name	<Auto>	
3B	Trade Name (if any)	<Auto>	
4	Are you liable to audit under any Act?	<Please specify>	
Pt II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		Broad Guidance Notes
5	<i>Reconciliation of Gross Turnover</i>		
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)		- State wise turnover should be reconciled with state wise trial balance/books of accounts. ‘- In case state TB/books of accounts not available, a summary reconciliation at the company level is recommended to ensure that the sum of state wise turnover matches with the entity turnover.
B	Unbilled revenue at the beginning of Financial Year		- Unbilled revenue on which invoices have been issued without GST (i.e. for pre GST period) to be excluded ‘- Invoices issued in GST period for revenue recognised in the previous financial year to be considered for this
C	Unadjusted advances at the end of the Financial Year		- Advances for future supplies on which GST has been paid, however, not recognised as revenue needs to be considered - Advances for supply of goods received upto Nov 15, 2017 and if unadjusted till the end of the FY would be liable to GST - The above is applicable for assessee with turnover upto INR 1.5 crores for advances received upto Oct 13, 2017 - Advance for supply of services applicable to GST - Exclude advances for exempt supplies, refundable deposits.

D	Deemed Supply under Schedule I		<ul style="list-style-type: none"> - To identify transactions defined as deemed supplies under Schedule I of CGST Act - A write up on the process of identification of such transactions should be requested from auditee
E	Credit Notes issued after the end of the financial year but reflected in the annual return		<ul style="list-style-type: none"> - The origin of the credit notes to be verified along with the accounting treatment and reasons for consideration in GSTR 9 -
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST		<ul style="list-style-type: none"> - Discounts not eligible for deduction for computation of GST taxable turnover but adjusted against financial turnover in the books of accounts need to be considered. - In case the verification reveals that certain ineligible discounts have been adjusted for computing GST turnover, the same would need to be leviable to GST and auditor to make appropriate recommendations
G	Turnover from April 2017 to June 2017		<ul style="list-style-type: none"> - Monthly or quarterly trial balance for the period could be relied upon which is also verified with the audited financials and duly reconciled
H	Unbilled revenue at the end of Financial Year		<ul style="list-style-type: none"> - Appropriate accounting standards to be reviewed for verifying unbilled revenue as recorded in the financials at the close of the financial year - Time of supply provisions read with relevant contracts also could be reviewed in order to determined whether any portion of unbilled revenue would have attracted GST as per the time of supply provisions
I	Unadjusted Advances at the beginning of the Financial Year		<ul style="list-style-type: none"> - Advances of previous year recognised as revenue in the audited books of accounts need to be considered - It could also be checked whether appropriate taxes as applicable during the pre GST period were paid for these advances



J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST		<ul style="list-style-type: none">- Identification of GST and non GST credit notes required- Credit notes provisions as prescribed under the CGST Act need to be reviewed and checked to determine eligibility for their deductions from GST turnover.
K	Adjustments on account of supply of goods by SEZ units to DTA Units		<ul style="list-style-type: none">- As SEZ units do not pay and report DTA transactions in the GSTR1 and GSTR 3B, the same would need to be identified from financials and reported accordingly.
L	Turnover for the period under composition scheme		<ul style="list-style-type: none">- This is applicable only for dealers who migrated from composition to non composition during the financial year, the turnover as per audited financials for the period under composition needs to be considered
M	Adjustments in turnover under section 15 and rules thereunder		<ul style="list-style-type: none">- Difference in turnover on account of additions and deletions as prescribed under Section 15 of the CGST Act need to be identified and considered.- The basis of GST turnover and reconciliation of the same with the audited financials with the reasons for difference as envisaged under Section 15 need to be recorded separately while populating the figures for this field.
N	Adjustments in turnover due to foreign exchange fluctuations		<ul style="list-style-type: none">- The basis of foreign exchange conversion rate for financials and the turnover reported in GST returns would need to be identified and difference on account of different exchange rates would need to be recorded and populated. Further, the provisions in CGST Act for reporting value of export and import transactions would need to be evaluated with the treatment adopted by the auditee.

O	Adjustments in turnover due to reasons not listed above		- These adjustments could be on account of transactions which were considered for the purpose of GST payment at the time of filing of GST returns, however, not considered as revenue for books of accounts. In addition, if certain unreported transactions which have been identified post filing of returns could also find a mention here.
P	Annual turnover after adjustments as above		Auto populated
Q	Turnover as declared in Annual Return (GSTR9)		To be adopted as per GSTR 9
R	Un-Reconciled turnover (Q - P)		Auto populated
6	<u>Reasons for Un - Reconciled difference in Annual Gross Turnover</u>		
A	Reason 1	<<Text>>	Reasons for difference in turnover need to identified and reported. If unidentified, the same would need to be separately disclosed
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	
7	Reconciliation of Taxable Turnover		
A	Annual turnover after adjustments (from 5P above)		Auto populated
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover		- Need to be verified in the GSTR 3B and also from the records maintained by the auditee
C	Zero rated supplies without payment of tax		- Need to refer to the definition of zero rated supplies and the conditions for the same need to be verified for reporting this figure. Only zero rated supplies on which GST has not been paid need to be considered here
D	Supplies on which tax is to be paid by the recipient on reverse charge basis		- Process for identification of reverse charge liability for domestic and cross border transactions should be reviewed to determine whether the processes are comprehensive. - Procurements from unregistered vendors till Oct 13, 2017 need to be considered for reverse charge liability - Accounting of reverse charge transactions to determine the taxable value is required to be reviewed



E	Taxable turnover as per adjustments above (A-B-C-D)		Auto populated
F	Taxable turnover as per liability declared in Annual Return (GSTR9)		- Taxable turnover as per Table 4N of GSTR 9
G	Unreconciled taxable turnover (F-E)		
8	<u>Reasons for Un - Reconciled difference in taxable turnover</u>		
A	Reason 1	<<Text>>	Identify the reasons for unreconciled taxable turnover and in case of taxable turnover which has got missed in terms of payment of GST, the same needs to be documented with appropriate recommendations
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	
Pt III	Reconciliation of tax paid		
9	<u>Reconciliation of rate wise liability and amount payable thereon</u>		
	Description	Taxable Value	
	1	2	- Needs to be reconciled based on the rates adopted for outward and inward supplies for payment of GST under forward charge or reverse charge respectively.
A	5%		
B	5% (RC)		
C	12%		
D	12% (RC)		
E	18%		
F	18% (RC)		
G	28%		
H	28% (RC)		
I	3%		
J	0.25%		
K	0.10%		
L	Interest		
M	Late Fees		
N	Penalty		
O	Others		
P	Total amount to be paid as per tables above		
Q	Total amount paid as declared in Annual Return (GSTR 9)		
R	Un-reconciled payment of amount		

10	<u>Reasons for un-reconciled payment of amount</u>		
A	Reason 1	<<Text>>	Reasons for unreconciled payment need to be identified and recorded.
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	
11	<u>Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)</u>		
	Description	Taxable Value	
	1	2	Additional amount of tax payable on account of unreconciled taxable turnover with bifurcation into different tax rates, interest, etc.
	5%		
	12%		
	18%		
	28%		
	3%		
	0.25%		
	0.10%		
	Interest		
	Late Fees		
	Penalty		
	Others (Please specify)		
Pt IV	Reconciliation of Input Tax Credit (ITC)		
12	<u>Reconciliation of Net Input Tax Credit (ITC)</u>		
A	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)		ITC availed after reversal effect as per the audited Annual Financial Statement is to be mentioned .In case of multiple GSTIN, ITC of each GSTIN needs to be mentioned separately
B	ITC booked in earlier Financial Years claimed in current Financial Year		ITC booked in the earlier year in audited accounts and the same claimed in GST return in the current year is to be mentioned.



C	ITC booked in current Financial Year to be claimed in subsequent Financial Years		ITC booked in the current year in audited accounts, however, the same would be claimed in GST return in future year needs to be mentioned here. E.g. capital goods purchase.
D	ITC availed as per audited financial statements or books of account		Auto-populated value (12A + 12B - 12C) - This would be the net figure with which ITC claimed / availed in annual return in GSTR 9 would be compared.
E	ITC claimed in Annual Return (GSTR9)		Value of ITC claimed in annual return (GSTR 9) at Table 7J needs to be mentioned here.
F	Un-reconciled ITC		Difference between adjusted ITC availed as per audited financial statement or books of account (point no. 12D of GSTR-9C) and ITC claimed in annual return (point no. 12E of GSTR 9) would be recorded here. This figure would be auto populated.
13	<u>Reasons for un-reconciled difference in ITC</u>		
A	Reason 1	<<Text>>	Reasons of unreconciled ITC need to be identified and recorded. In case of ineligible ITC availed in the GST returns, the auditor would need to recommend appropriate reversals along with interest, if any.
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	
14	<u>Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account</u>		

	Description	Value	
	1	2	
A	Purchases		The identifiable expenses for each GSTIN would need to be depicted for each of the heads of expenses to the extent they are recorded and accounted for the GSTIN. The heads of expenses are generic in nature and could vary according to the nature of business and the accounting treatment of the registered person. The objective is to identify the ITC claimed and the how much of the claimed is eligible/ineligible as per the GST provisions.
B	Freight / Carriage		
C	Power and Fuel		
D	Imported goods (Including received from SEZs)		
E	Rent and Insurance		
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples		
G	Royalties		
H	Employees' Cost (Salaries, wages, Bonus etc.)		
I	Conveyance charges		
J	Bank Charges		
K	Entertainment charges		
L	Stationery Expenses (including postage etc.)		
M	Repair and Maintenance		
N	Other Miscellaneous expenses		
O	Capital goods		
P	Any other expense 1		
Q	Any other expense 2		
R	Total amount of eligible ITC availed		Auto-populated – Total form Point No. 14A to Point No. 14Q.
S	ITC claimed in Annual Return (GSTR9)		ITC claimed / availed in Annual Return filed in form GSTR 9. Figure from table 7J of GSTR 9 would be helpful.
T	Un-reconciled ITC		
15	<u>Reasons for un - reconciled difference in ITC</u>		



A	Reason 1	<<Text>>	If here is a difference between ITC availed on various expenses as per point no. 14R and ITC availed in annual return as per point no. 14S, the reason for the said difference needs to be mentioned here.
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	
16	<u>Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)</u>		
	Description	A m o u n t Payable	
	1	2	
	Central Tax		Tax payable on account of unreconciled ITC and for reasons identified above should be mentioned here. Tax so payable needs to be appropriately bifurcated into central tax, state / UT tax, integrated tax, cess, interest and penalty.
	State / UT Tax		
	Intergrated Tax		
	Cess		
	Interest		
	Penalty		
Pt V	Auditor's recommendation on additional Liability due to non-reconciliation		
	Description	Value	
	1	2	
	5%		
	12%		
	18%		
	28%		
	3%		
	0.25%		
	0.10%		
	Input Tax Credit		
	Interest		
	Late Fees		
	Penalty		
	Any other amount paid for supplies not included in Annual Return (GSTR-9)		
	Erroneous refund to be paid back		



	Outstanding demands to be settled		
	Other (Pl. specify)		

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

** (Signature and stamp/Seal of the Auditor) Place:

Name of the signatory

Membership No.....

Date:

Full address



Instructions:

1. Terms used:
 - (a) GSTIN: Goods and Services Tax Identification Number
2. The details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately.
3. The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.
4. Part II consists of reconciliation of the annual turnover declared in the audited Annual Financial Statement with the turnover as declared in the Annual Return furnished in FORM GSTR-9 for this GSTIN. The instructions to fill this part are as follows

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities, will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/entities having presence over multiple States.
5B	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here. (For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.

Table No.	Instructions
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.
5E	Aggregate value of credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here.
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.
5L	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.



Table No.	Instructions
5N	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.
5O	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7C	Value of zero rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.
7F	Taxable turnover as declared in Table 4N of the Annual Return (GSTR9) shall be declared here.
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

Table No.	Instructions
	Part III consists of reconciliation of the tax payable as per declaration in the reconciliation statement and the actual tax paid as declared in Annual Return (GSTR9). The instructions to fill this part are as follows :-
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled –RC, supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.
9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities, will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s)but availed in the ITC ledger in the financial yearfor which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed duringFinancial Year 2017-18.
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.



Table No.	Instructions
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here.
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table 12E) availed in the Annual Return (GSTR9) shall be specified here.
Part IV consists of reconciliation of Input Tax Credit (ITC). The instructions to fill Part IV are as under:-	
14	This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.
14R	Total ITC declared in Table 14A to 14Q above shall be auto-populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table.
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.

Towards, the end of the reconciliation statement taxpayers shall be given an option to pay their taxes as recommended by the auditor.



PART – B- CERTIFICATION

I. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit:

* I/we have examined the—

(a) balance sheet as on

(b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and the cash flow statement for the period beginning fromto ending on, — attached herewith, of M/s (Name), (A d d r e s s) ,(GSTIN).

2. Based on our audit I/we report that the said registered person—

*has maintained the books of accounts, records and documents as required by the IGST/CGST/ <<>> GST Act, 2017 and the rules/notifications made/ issued thereunder

*has not maintained the following accounts/records/ documents as required by the IGST/CGST/ <<>> GST Act, 2017 and the rules/notifications made/ issued thereunder:

- 1.
- 2.
- 3.

(a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....
.....

(b) *I/we further report that, -

*I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from*my/ our examination of the books.

I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand **

.....additional place of business within the State.

The documents required to be furnished under section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No. GSTR-9C.



In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.GSTR-9C are true and correct subject to following observations/qualifications, if any:

- (a)
- (b)
- (c)

** (Signature and stamp/Seal of the Auditor) Place:

Name of the signatory

Membership No.....

Date:

Full address

II. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

*I/we report that the audit of the books of accounts and the financial statements of M/s. (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of the Act, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-

balance sheet as on the *profit and loss account/income and expenditure account for the period beginning fromto ending on, the cash flow statement for the period beginning fromto ending on, and documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

I/we report that the said registered person—

*has maintained the books of accounts, records and documents as required by the IGST/CGST/ <<>> GST Act, 2017 and the rules/notifications made/ issued thereunder

*has not maintained the following accounts/records/ documents as required by the IGST/CGST/ <<>> GST Act, 2017 and the rules/notifications made/ issued thereunder:

- 1.
- 2.
- 3.
- 3. The documents required to be furnished under section 35 (5) of the



CGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act is annexed herewith in Form No.GSTR-9C.

4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.9C are true and correct subject to the following observations/qualifications, if any:

- (a)
 - (b)
 - (c)
-

** (Signature and stamp/Seal of the Auditor)

Place:

Name of the signatory

Membership No.....

Date:

Full address:

.....

.....

[F. No. 349/58/2017-GST (Pt.)]



Form GSTR – 9C (GST Audit Report) - FAQ's

Q1. What is the turnover that should be reckoned to determine the applicability of audit under GST?

Response –

Section 35(5) commences with the expression “every registered person whose turnover during a financial year exceeds the prescribed limit” whereas the relevant Rule 80(3) uses the expression “every registered person whose aggregate turnover during a financial year exceeds two crore rupees”. It must be noted that the word turnover has not been defined whereas the expressions aggregate turnover has been defined. For every registered person if turnover exceeds two core shall get his accounts audited by a chartered accountant / cost accountant. One may note that the expression turnover in State or turnover in Union territory is defined. In this backdrop the following understanding is relevant:

- a) Aggregate turnover is PAN based while turnover in a State / UT is similarly worded except to the extent that turnover in a State / UT is limited to a State;
- b) It is therefore, reasonable to interpret that the word turnover used in section 35(5) ought to be understood as aggregate turnover (PAN level).
- c) For the financial year 2017-18, the GST period comprises of 9 months whereas the relevant section 35(5) uses the expression financial year; Therefore, in the absence of clarification from Government and to avoid any cases of default, it is reasonable to reckon the turnover limits prescribed for audit i.e., Rs. 2 crores for the whole of the financial year which would also include the first quarter of the financial year 2017-18.

The aggregate turnover includes value of all taxable supplies, accordingly value of all deemed supplies under Schedule I would also need to be considered for computing aggregate turnover as those are taxable supplies. Hence, aggregate turnover should not be limited only on the basis of revenue accounted for financial accounts only. For eg. do not ignore taxable value of stock transfers while examining this threshold limit.

Q2. Whether the supply of goods not covered under the ambit of GST (petro products, alcohol for human consumption) should be included in determining the threshold limit of Rs. 2 crores by a person registered under GST?

Response –

Section 9(1) of CGST/ SGST Act and Section 7(1) and 5(1) of UTGST and IGST Act respectively exclude alcoholic liquor for human consumption from the levy/charge of GST. On a combined reading of the charging sections with the definitions of non-taxable supply and exempt supply, it becomes clear that petroleum products and alcoholic liquor for human consumption

would form part of exempt turnover. Since aggregate turnover includes exempt turnover, value of alcoholic liquor for human consumption is to be included while computing threshold limit of Rs. 2 crores.

Q3. Would the term ‘aggregate turnover,’ includes stock transfers/ cross charges effected between branches located in two different states or within same states.

Response –

Section 2(6) of CGST/ SGST Act defines aggregate turnover to include ‘inter-state supplies of person having same PAN’. Thus, stock transfers/ cross charges of services provided from a branch located in one state to a branch located in another state will be included in the aggregate turnover of the branch supplying the goods/ services.

The term ‘aggregate turnover’ shall not include stock transfers effected within the same State having single GSTIN for the purpose of determining the threshold limit. However, where more than one GSTINs has been taken for branches located in the same state, then such branch transfers shall be included for computing threshold limit of Rs.2 crore to identify applicability of this audit requirement.

Q4. The Form GSTR 9C is required to be filed for each registration obtained by a person in respect of each of the states.

Response -

The Section 35(5) of SGST Act, also requires conduct of audit in addition to Section 35(5) of CGST Act. Thus, audit is required state wise for compliance of Section 35(5) of SGST Act. Therefore, a person having registration in Karnataka and Madhya Pradesh is required to be audited under KGST Act, 2017 and MPGST Act, 2017. GSTR 9C is required to be filed as per Rule 80(3) of KGST Rules, 2017 and MPGST Rules. Thus, a person having registration in more than one state is required to file GSTR 9C for each registration obtained under the GST Act.

Q5. What are the documents to be enclosed along with GSTR 9C.

Response –

As per section 35(5), a copy of audited accounts and such other documents in such form and manner ‘as may be prescribed’ ought to be submitted along with reconciliation statement (i.e. GSTR 9C). Prescription ought to be provided in the Rules as the Act employs the term ‘as may be prescribed’. No documents other than audited annual accounts have been prescribed in Rule 80(3).

Part B of GSTR 9C requires that the GST Auditor to enclose a copy of audit report of the entity, where the audit of the entity has been carried out by another person under a statute other than GST Act. In the said case, documents declared by the said statute which forms a part of the audited financial statements must also be annexed to the audit report.



Q6. Form GSTR 9 and Form GSTR 9C be filed separately and what is the time limit to file GSTR 9C.

Response –

The Section 44(2) of the CGST/ SGST Act 2017 provides a Registered Person to file annual return in Form GSTR 9 along with a copy of the reconciliation statement in Form GSTR 9C. Thus, Form GSTR 9C has to be filed along with Form GSTR 9 in cases where aggregate turnover exceeds Rs. 2 crores.

Secondly Section 44(2) requires reconciliation statement in Form GSTR 9C along with annual return in Form GSTR 9. As per section 44(1), the due date to file annual return is on or before the thirty-first day of December following the end of such financial year for which annual return is being prepared. Thus, it can be inferred that due date for filing reconciliation statement in Form GSTR 9C is also on or before thirty-first day of December following the end of such financial year for which reconciliation statement is being prepared.

Q7. Consequences of the failure in submitting the annual return and not getting the accounts audited?

Response –

The consequences of the failure in submitting the annual return and not getting the accounts audited are shown below:

a) Section 44(2) of the CGST Act and State /Union Territory GST Act provides that every Registered Person shall file electronically an annual return in Form GSTR 9 along with a reconciliation statement in Form GSTR 9-C, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.

b) Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day (each under CGST Act and under SGST Act) for delay in furnishing annual return in GSTR 9, subject to a maximum amount of quarter percent (0.25%) of the turnover in the State or Union Territory. Similar provisions for levy of late fee exist under the State / Union Territory GST Act.

c) On a combined reading of Section 47(2) and Section 44 (2) of the CGST Act and State / Union Territory GST Act a late fee of Rs.200/- per day (Rs. 100 under CGST law + Rs. 100/- under State / Union Territory GST law) can be levied which would be capped to a maximum amount of half percent (0.25% under the CGST Law + 0.25% under the SGST / UTGST Law) of turnover in the State or Union Territory.

d) In a situation where a registered person gets GSTR **9C** duly certified but fails to furnish both GSTR **9** and GSTR **9C** on the common portal, the provisions of late fee cited in clause “a to c” supra would equally apply.

e) In a situation where a registered person files only GSTR **9**, but fails to file GSTR **9C**, the filing of GSTR **9** is not considered to have been defaulted, whereby the late fee cited in clause “a to c” supra would not apply. However, there may be consequences of default in complying with the provisions of Section 44(2).



Q8. Can the late fee be waived off in certain cases which are genuine.

Response –

The Government may, by notification, waive in part or full, any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council. But no notification has been issued by the Central Government/ State Government as on date for the same.

Q9. Provision of filing the Revised Form GSTR 9C if at all applicable

Response –

There is no basis of saying that revised GSTR 9C can be filed in the absence of a legal provision.

Accordingly, unless the GST Act is amended to enable filing of revised GSTR 9C for a financial year, revision of GSTR 9C would not be possible.

Q.10 Which records to be reconciled in Form GSTR-9C

Response –

A. Annual Return of Registered Person in Form GSTR 9

B. Books of accounts of registered person – if the registered person has multiple registrations, information needs to be derived from the Audited financials of the entity. In addition, as the reconciliation for each GST registration, audited books of accounts for each GST registration could be an additional requirement. Accordingly, the audited books of accounts would need to be bifurcated into each GST registration.

Q.11 Can the Internal Auditor of the dealer certify Form GSTR 9C

Response -

An internal Auditor cannot certify Form GSTR 9C of the same entity

Q.12 Can the statutory auditor be a GST auditor u/s 44AB

Response –

Section 44AB does not specify that only the statutory auditor appointed under the Companies Act should perform the tax audit. Therefore the GST audit can, be conducted either by the statutory auditor or by any other Cost Accountant or Chartered Accountant in practice.

Q.13 Responsibilities of the GST Auditor

Response –

The GST auditor's responsibility is to audit the particulars included in GSTR 9C to ensure that they are free from any material misstatement.

The auditor should also consider for the purpose of planning of the audit and determining the nature, timing and extent of the audit procedures, the internal control of the enterprise as well.



Q.14 Importance of Management Representation Letter (MRL)

Response –

Management representation letter (MRL) is a letter issued by a client to the auditor in writing as part of audit evidences. The date of the document must not be later than the date of audit work completion. It is used to let the client's management declare in writing that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of the management's knowledge.

For audit evidence, it is reliable if the auditor has no other means of obtaining evidence. Examples may include situations involving contingent liabilities or off-balance-sheet liabilities. The person issuing the letter should have the appropriate authority or seniority in the organization to vouch on the issue. In the case of contradictions between other sources of evidence and management representations, the auditor should conduct further investigations.

Action Plan:

1. Successful conduct of Certificate Course on GST.
2. Publication and Circulation of Tax bulletin (both in electronic and printed formats) for the awareness and knowledge updation of stakeholders, members, traders, Chambers of Commerce, Universities.
3. Publication of Handbooks on Taxation related topics helping stakeholders in their job deliberations.
4. Carry out webinars for the Capacity building of Members - Trainers in the locality to facilitate the traders/ registered dealers.
5. Conducting Seminars and workshops on industry specific issues, in association with the Trade associations/ Traders/ Chamber of commerce in different location on practical issues/aspects associated with GST.
6. Tendering representation to the Government on practical difficulties faced by the stakeholders in Taxation related matters.
7. Updating Government about the steps taken by the Institute in removing the practical difficulties in implementing various Tax Laws including GST.
8. Facilitating general public other than members through GST Help-Desk opened at Head quarter of the Institute and other places of country.
9. Introducing advance level courses for the professionals on GST and Income Tax.
10. Extending Crash Courses on Taxation to Corporates, Universities, Trade Associations etc.



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