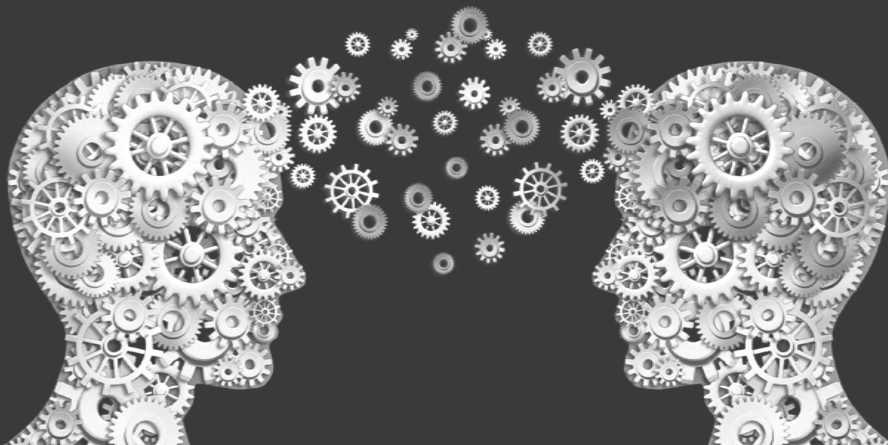


GST Precautions while Finalisation of Accounts



V. H. Daga & Company
Chartered Accountants

by CA Rahul V. Daga

Why Precautions



GST Precautions

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GST Audit & GST Annual Return

Audit	Annual Return
<p>Section 35(5) read with section 44(2) of CGST Act – Registered person whose turnover > 2 crores shall get his books audited and furnish electronically</p> <ul style="list-style-type: none"> • Annual Return • Copy of audited annual accounts • Reconciliation statement – Form GSTR 9C • Other documents, as may be prescribed 	<p>Every registered person other than ISD, TDS, TCS, CTP, NRTP shall furnish :</p> <ul style="list-style-type: none"> • Annual Return electronically for every financial year in Form GSTR 9 • Before 31st December following the end of the financial year. • Composition Dealers – Form GSTR 9A • Ecom Operators – Form GSTR 9B
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Action Points

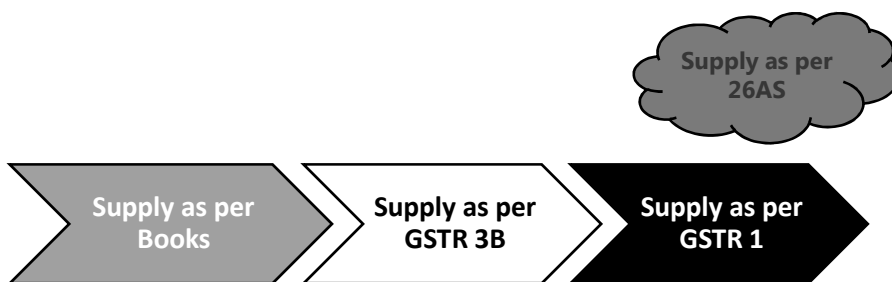
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RECONCILIATION ITEMS

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Reconciliation of Outward Supplies



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Reconciliation Items

Schedule I Activities without consideration, shown in GST Returns may be netted off or not recorded in financials

- Transfer or Disposal of Fixed Assets where ITC has been availed
- Supply between related and/ or distinct persons - As per Section 25 of the CGST Act, 2017 read with clause 2 of Schedule – I to the CGST Act, 2017, any support given by head office to its branches / factory is to be treated as "outward supply" and accordingly, IGST will be applicable. In such a case, companies are definitely not preparing any commercial invoice however, as per above legal provisions, tax invoice is required to be prepared and IGST liability needs to be paid.
- Supply between Principal and Agent and vice versa
- Import of services from related persons or any of his other establishments

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Reconciliation Items

- Transactions for the month of April to June 2017
- **Classification of goods / services and respective rate**
- **Verification of "place of supply" to check whether correct GST is charged**
- **Verification of "Other Income" ledger**
- Schedule III Transactions – Sale of Building post OC
- GST paid on **advance received (Services)**
- Transactions on which GST is paid on **Reverse Charge**
- Other States Supply / Turnover (Multi Location Organisation)

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Reconciliation Items

- Transactions where Transaction value is different from Invoice Value.
- Deduction allowed from Valuation but recorded at Gross value in Financials. Eg Second Hand Goods Dealer/ Airline Agent
- Sale of Capital Assets (Capital Receipts).
- Supply of Non GST Items like Petroleum Products, Alcohol , Transaction in Securities.
- Unbilled Revenue – Sec 31(2). E.g. Services completed on 20th March 2018, Invoice raised within 30 days say on 10th April,18
- Amount paid by the recipient on behalf of the supplier and therefore not included in Invoice value.
- Merchant Trade Transactions

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Reconciliation Items

- Recovery from employees is treated as outward supply though it is not a sale transaction. Could be netted off in the financials. Eg Canteen Expenses, Mobile Exps etc
- Income Netted off against expenses in financials
- Transactions in Kind/ Barter transactions
- Sales discount – Reduced while filing GSTR 3B, but shown under Expenses in the PL.
- Interest on delayed payment/ Penalty
- Warranty period Services - GST paid on entire transaction value, though recognised periodically in the financials.
- Goods sent on Job work / SOR basis not returned within the prescribed period

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Reconciliation Items

- Difference due to Method of Accounting Followed – AS7 Construction Contracts, Percentage/ Project Completion/ Cash vis-à-vis Merchantile basis.
- Any value of goods written off in the books – as per Section 17(5)(h) of the CGST Act, 2017, if any company writes off any value of goods (whether raw material or WIP or finished goods), in such a case, respective ITC needs to be reversed.
- RCM Issues
- Year End expenses Provisions
- Reversal of ITC in case of exempted / non-GST supply
- ITC on pre-paid expenses

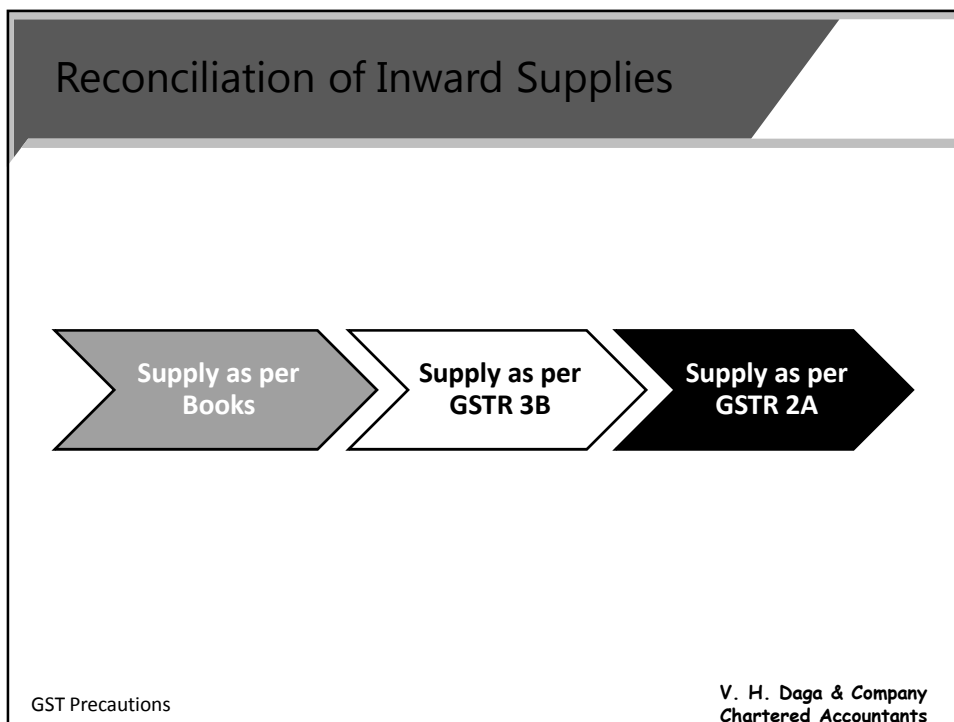
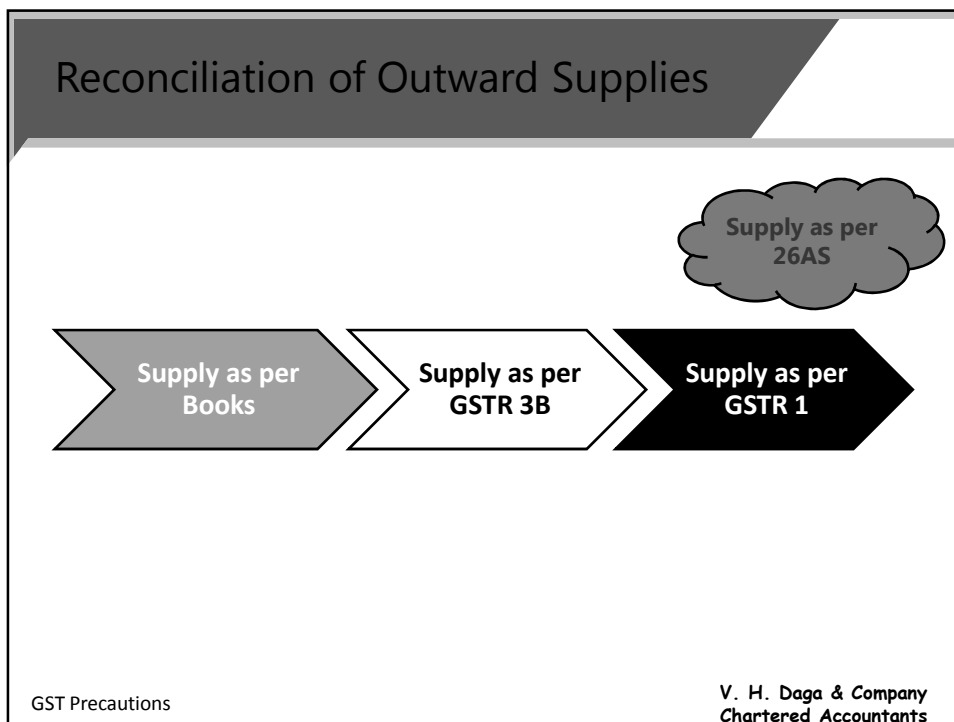
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RECONCIATION SCOPE

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Reconciliation Scope

- Reco of Expenses subject to Reverse Charge as per Books with GSTR-3B
- Reco of GST payable between 3B and Books.
- Reco of Electronic Cash Ledger Balance (PMT-5) with Books
- Reco of Electronic Credit Ledger Balance (PMT-2) with Books
- Reco of Electronic Liability Register Balance (PMT-1) with Books.
- Transitional Credit – Matching the Stock records as on 30.06.2018 vis-avis the Trans 1 filed
- Matching of ITC on imported goods with ICEGATE – Government system has started matching of IGST value of a particular month reported in GSTR3B (under IGST credit on imported goods) with IGST value reflected on ICEGATE portal.

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Reconciliation Scope

- Reco of Export of Goods with Shipping Bills
- Import of Services to be tallied vis-à-vis the payments made with Form 15CA/ 15CB
- Goods sent on Job work vis-a-vs ITC 04
- No rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing return for the month of September following the end of the financial year or actual date of furnishing annual return, whichever is earlier.
- **Period of reconciliation – Effectively July 17 to September 18**

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SCRUTINY OF FINANCIAL STATEMENTS

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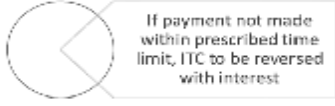
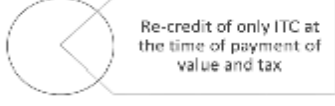
Fixed Assets

- 100% ITC to be claimed in First year
- No Depreciation on ITC portion
- ITC Reversal as per Rule 43 (Partly Business Partly Other/ Partly Taxable / exempt – Monthly basis.
- CGST Rule 40, Value on which GST is payable if ITC Claimed : Higher of
 - 1) Transaction value or
 - 2) Cost Less 5% per quarter
- Transitional Credit for Balance 50% taken

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Creditors

Possession of Tax Invoice, Debit Note, Issued by registered supplier or other tax paying document as may be prescribed	Receipt of goods/services	
Tax charged has been paid to the credit of Govt.	Furnished the Return (Monthly Return)	
ITC not allowed for invoice of 1 FY after 20th October of next FY or date of filing annual return, whichever is earlier		

- Part payment done – Proportionate Reversal

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Inventories & Debtors

- Transitional Credit, if availed to be reduced from the year end Inventory
- Goods Lost by Theft/ Discarded/ Written Off/ Destroyed - ITC to be reversed
- AS 2 –Inventory to be valued net of GST
- ICDS Impact
- Free Samples – ITC Reversal/ Tax liability on issue. ITC not to be taken by recipient
- Export of Services – Fulfillment of condition of exports
- Advances from Customers – GST to be paid for Services
- Advance to Suppliers - ITC only on receipt of goods/ services
- Suppliers who could not file Trans 1/ Trans 2 – Credit to be expensed out?

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Revenue

- Discounts
- Debit Note/ Credit Note
- Sale to Merchant Exporters – Fulfillment of conditions
- Rate Changes during the year complied with
- Related Party Transactions - To be identified.
- Cross charge to be done – Valuation?

GST Precautions

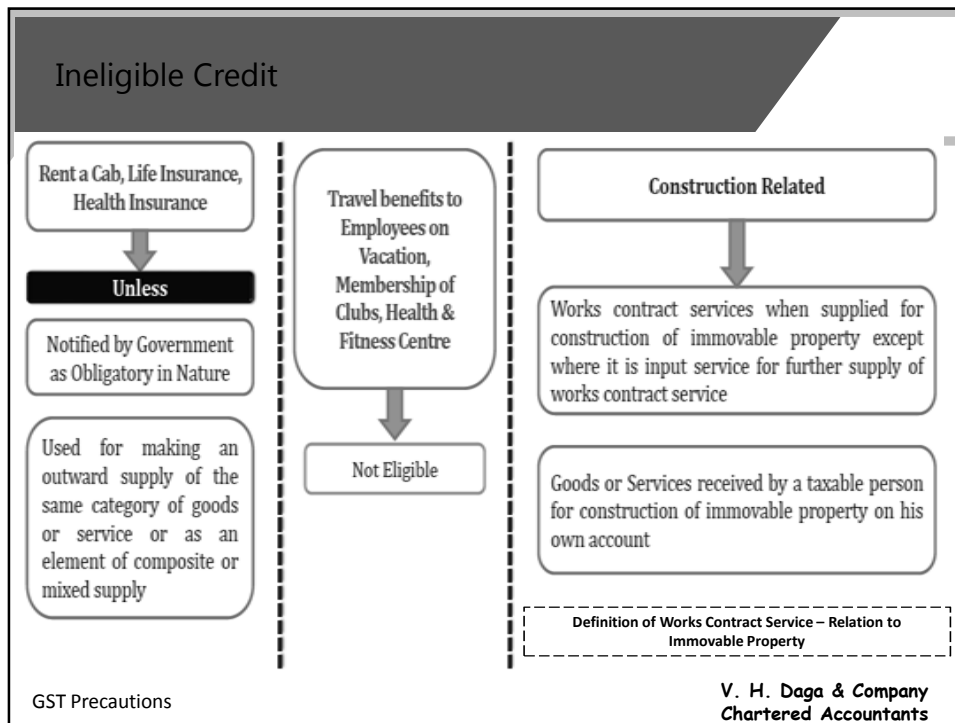
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Expenses

- Blocked Credit Section 17(5) – to be reversed
- RCM Liability – Sec 9(4) upto 12th October, 2017
- RCM Liability – Sec 9(3) paid
- Personal Use – ITC reversed
- ITC in relation to Exempt/ Non GST Supply to be reversed based on the Rules.
- Self Invoices to be prepared

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Rectification of Errors & Disclosure

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GST Precautions

Disclosures

- Rectification permitted only upto September of next FY
- Input Credit – Current Assets
- Refund Receivable – to be booked, even if applied subsequently
- GST Disclosures are also now part of the IT Returns and TAR.
- Anti Profiteering?

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- ▶ Views expressed are the personal views of the faculty based on his interpretation of the GST Law
- ▶ This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. On any specific matter, reference should be made to the appropriate advisor.

THANK YOU

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