

Issues in GST Annual Return in  
Form 9 & GST Audit Report Form  
9C for **J B Nagar STUDY CIRCLE**  
**of WIRC of ICAI** on 11/05/2019

Presented by

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# Disclaimer

- All views stated are my personal views they are not binding on WIRC/ICAI. My personal views may be correct/incorrect as they are expressed based on my understanding of the subject.
- All members/listeners are requested to go through tax law provisions on their own and advise their clients accordingly as each situations is peculiar in itself.
- All Illustrations provided are imaginary and any resemblance to any situations is purely co-incidental and without any intentions to disclose private and confidential information.

# GST Annual Return Process

Industry

Books of Accounts

Statutory Compliances

Laws Applicable

Financial Statements

Scope

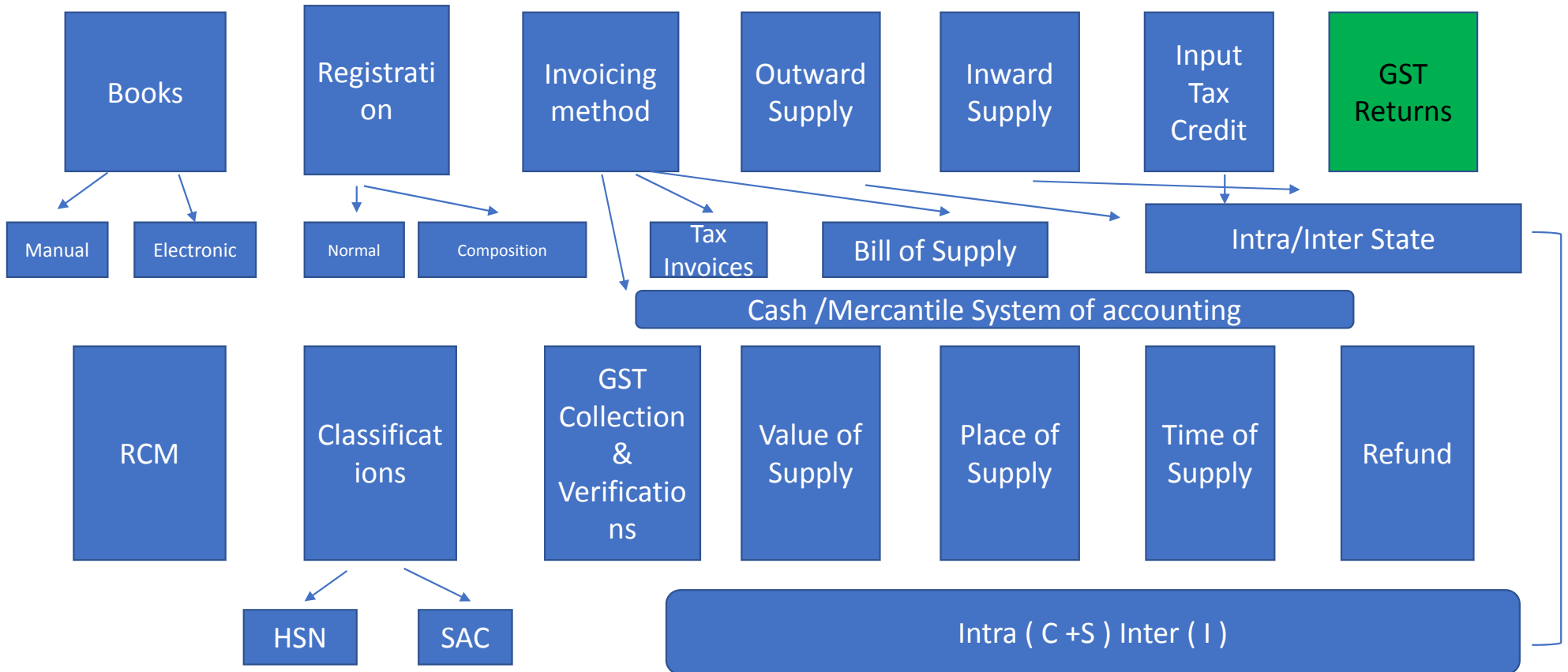
# Pillars of Annual Returns/Audit Reports

Outward Supply  
= Taxable + Zero  
rated + NIL Rated  
+ Exempt  
Supplies+  
Non Taxable +  
No Supply

Inward Supplies =  
B2B + Imports of  
goods and/or  
services + RCM  
u/s 5(3)/5(4) or  
9(3)/9(4)

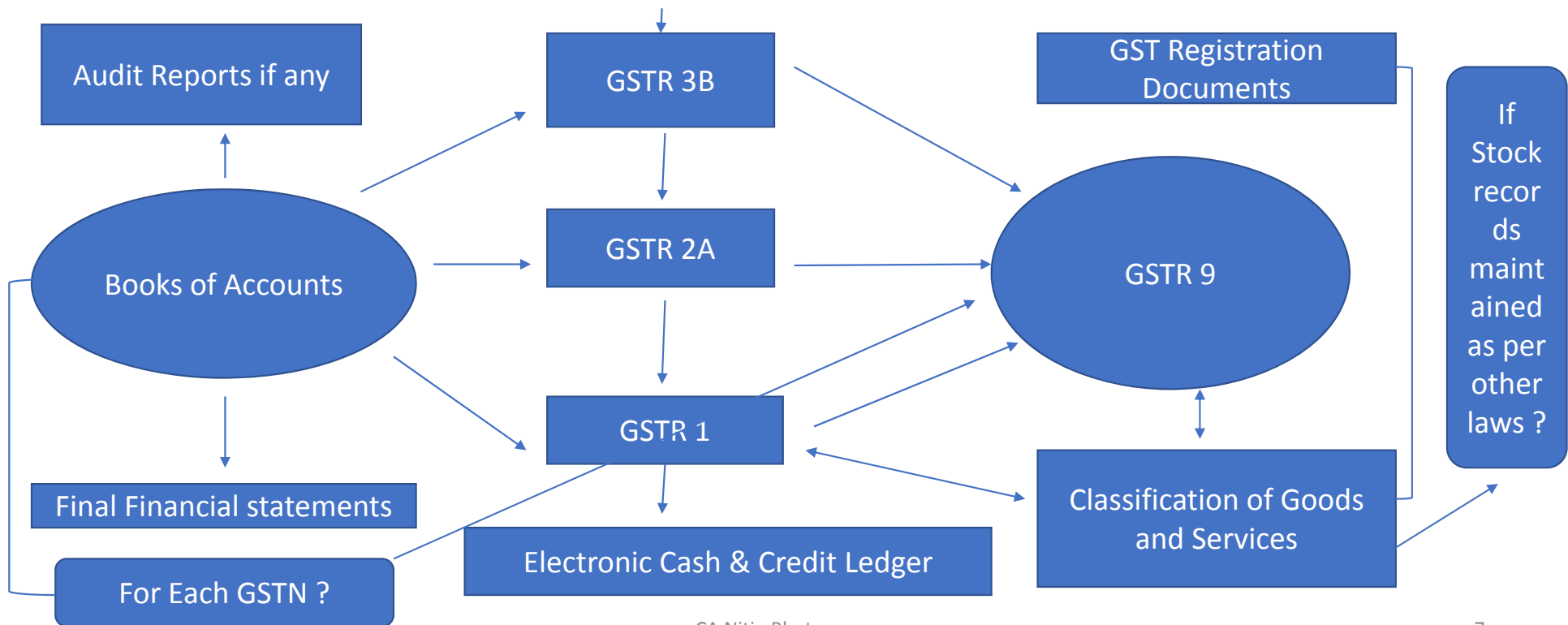
Tax Payouts =  
Gross levy ( IGST or  
CGST+SGST or  
CGST+UTGST )  
minus ITC credits

## Basic Fundamentals – GSTR 9 & GSTR 9C



## Documents to be kept ready for the filing of GSTR 9

### Output and Inward Reconciliations



# Changes introduced in Annual Returns

## Outward Supplies ( Sales )

Before

As declared in the Returns  
filed during FY  
to be disclosed

After

Supplies made  
during FY  
to be disclosed



# Changes introduced in Annual Returns

## Non GST Outward Supplies

Before

It does not include such transactions specifically viz. No Supply transactions

After

Such transactions now needs to be considered and reported.

## Changes introduced in Annual Returns

### Inward Supply ( Purchase )

Before

As declared in the Returns  
filed during FY  
to be disclosed

After

No change at all.

# Changes introduced in Annual Returns

## Option for additional liabilities

Before

No such option other than reporting

After

Now can be paid through DRC 03 using Annual Returns payouts option in cash

# Advances towards supply of goods and services

Goods

Initially GST payable on all advances

Then changes made for the RTP having a turnover of less than Rs.1.5 crores for not paying GST.

Exempted from the payment of GST for all from Nov 2017.

Services

GST Payable on all advances received towards services

## Checklist of Documents to be verified ( Illustrative)

- Registration documentation
- Nature of Business activities – Goods or Services or Both
- Outward Supplies – Normal (B2B & B2C ), Export, SEZ , DN CN etc
- Inward Supplies – Regular – RCM
- Electronic Cash Ledger & Electronic Credit Ledger
- Verification of DN/CN
- Agreements/Purchase order/Sales Orders/Estimates/Quotation etc
- Books of accounts for each GSTN
- HSN and SAC classification
- Tax levies to be verified ( C or S or I or UTGST etc.)
- GST Returns filed & verification of summaries– GSTR 1/ GSTR 3B/GSTR 2 only for July 2017.
- GST challans with Cash Ledger
- Financial Statements, TAR, ITR and any other audit reports.

## *GST Compliances documentation*

**GST sections & Rules**

**Circulars/Notifications**

**Returns Compliances**

**Related Party Lists**

**Advance Ruling Copies**

**Interplay with other laws**

# Aggregate Turnover Definitions

- Section 2(6) defines ***“aggregate turnover”*** means the ***aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;***

The phrase “aggregate turnover” is widely used under the GST laws. Aggregate Turnover is an all-encompassing term covering all the supplies effected by a person having the same PAN.

# Aggregate Turnover

- **It specifically excludes:**
  - **Inward supplies effected by a person which are liable to tax under reverse charge mechanism; and**
  - **Various taxes under the GST law, Compensation cess.**
- **The different kinds of supplies covered are:**
- **(a) Taxable supplies;**
- **(b) Exempt Supplies:**
  - **supplies that have a 'NIL' rate of tax;**
  - **supplies that are wholly exempted from SGST, UTGST, CGST, IGST or Cess;**  
and
  - **supplies that are not taxable under the Act (alcoholic liquor for human consumption and articles listed in section 9(2) and in schedule III);**
- **(c) Export of goods or services or both, including zero-rated supplies.**



# Aggregate Turnover

- Points to remember:-
- Aggregate turnover is relevant to a person to determine:
- Threshold limit to opt for composition scheme: Rs. 1 Crore in other states/Rs.75 Lakhs in specified states in a financial year);
- Threshold limit to obtain registration under the Act: 20 Lakhs (or 10 Lakhs in case of supplies effected from Special Category States) in a financial year.
- GST Audit Limit of Rs.2 crores as specified u/s 35(5).

# Aggregate Turnover

- **Inter-State supplies** between **units** of a **person** with the **same PAN** will also form part of aggregate turnover.
- **For an agent**, the **supplies made by him** on behalf of all his **principals** would have to be considered while **analysing the threshold limits**.
- **For a job-worker**, the following **supplies effected on completion of job work** would **not** be included in his **'aggregate turnover'**:
  - **Goods returned to the principal**
  - **Goods sent to another job worker on the instruction of the principal**
  - **Goods directly supplied from the job worker's premises (by the principal): It would be included in the 'aggregate turnover' of the principal.**

# Aggregate Turnover

| SR No | Particulars   | Value ( Rs. ) |
|-------|---|---------------|
| 1     | Taxable Turnover as per Financial Statements ( excluding Taxes ) B2B, B2C, Exports, SEZ , Net effect of CN/DN etc.            | xxxxxx.xx     |
| 2     | Value of Exempt Supply , NIL Rated Supply , Non Taxable Supplies & No Supply too  | xxxxxx.xx     |
| 3     | Branch Transfers ( excluding Taxes ) – such transaction would be nullified in the annual Financial statements                 | xxxxxx.xx     |
| 4     | Transactions between Related Parties ( excluding Taxes ) – Employer and Employee where value exceeds Rs.50000                 | xxxxxx.xx     |
| 5     | Transactions between Principal and Agent ( excluding Taxes )  | xxxxxx.xx     |
| 6     | Value of Cross Charges between HO & Branch and so on - such transaction would be nullified in the annual Financial statements | xxxxxx.xx     |
| 7     | Total Value of Aggregate Turnover ( Sum of 1 to 6 )   | xxxxxx.xx     |

# Cross Border Transactions

## **FERA**

- Repealed as on 29/12/1999
- Intention is to regulate Foreign Exchange Transactions
- Period when there was extremely low Foreign Exchange
- Everything is assumed to be prohibited unless permitted
- Violations subject to criminal proceedings
- Interpretation of provisions – RBI is final

## **FEMA**

- New FEMA introduced after the repealment of FERA
- Intention is to facilitation of Trade and Investment
- Period when there is satisfactory level of Foreign Exchange
- Everything is assumed to be permitted unless prohibited
- Violations subject to Civil Offences
- Interpretation of provisions – RBI is not final

Part III – Input Tax Credits – Table 6 to 8- Source GSTR 3B

| 7 | Details of ITC Reversed and Ineligible ITC as declared in returns filed during the financial year |  |   |   |   |
|---|---|--|---|---|---|
| A | As per Rule 37  | Invoices to be paid within 180 days            |   |   |   |
| B | As per Rule 39  | Ineligible ITC received from ISD               |   |   |   |
| C | As per Rule 42  | Ineligible ITC on Exempted services            |   |   |   |
| D | As per Rule 43  | Ineligible ITC on CG Exempt & common ITC on CG |   |   |   |
| E | As per section 17(5)  | Blocked Credits                                |   |   |   |
| F | Reversal of TRAN-I credit   | Ineligible Credit Reversed – EC SHEC & KKC     |   |   |   |
| G | Reversal of TRAN-II credit  | Ineligible credit Reversed – unsold stock ITC  |   |   |   |
| H | Other reversals (pl. specify)   |  |   |   |   |
| I | Total ITC Reversed (A to H above)   |  | - | - | - |
| J | Net ITC Available for Utilization (60 - 7I)   |  | - | - | - |

Table 4(B)  
4(D)

ITC 03

Table 4(B)

Composition  
to Regular

Data Auto Populated

## Reversal of ITC availment /reversal and Reavailment

### **FY 1718 - part III**

- a. If reversed in FY 1718 ( Table 7C & Table 7D) of GSTR 9- Rule 42 & 43
- b. If reavailed then Table 6A of GSTR 9

### **FY 1819 - Part V**

- a. Reversed in FY 1819 ( table 12 of GSTR 9)
- b. Reavailed in FY 1819 ( Table 13 of GSTR 9 )

If not reversed then only option to pay through DRC 03 with Interest using annual returns option.

Part V – Table 10 –Supplies /tax declared through  
amendments + ( net of debit Notes ) – Apr 18 to Mar 2019

Additional Invoices pertaining to FY 1718 reported till GSTR 1 of March 2019

Debit Notes dated before 31/03/2018 and not reported in FY 1718

Amendments to Invoices pertaining to FY 1718 reported  
till GSTR 1 of March 2019

Part V – Table 10 –Supplies /tax reduced through amendments - ( net of credits notes ) – Apr 18 to Mar 2019

Credit Notes dated 2017-18 and reported till GSTR 1 of March 2019

Amendments to Invoices pertaining to FY 1718 reported (with errors )  
In GSTR 1 of FY 1718



Part VI – Other Information – Table 15 -19 ( FY 1718 )

Stock records not maintained in FS/TAR ?

| 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   |                |               |             |             |                   |                |      |

Stock details reported in TAR & FS ?

GSTR 1- Table 12

UQC net of returns

Big Challenge –  
Less 1.5 Cr – no HSN  
1.5 Cr to 5 Cr – 2 digits  
More than 5 Cr -4 Digits

Applicable if AR is filed beyond due dates

Changes in Rate Structures in between the dates from Nov 2017 from 28% to 18% , 18% to 12% and 12% to 5%

Admissibility  
under evidence  
law?

Verifications

If anti profiteering  
exercise not done ?

I hereby **solemnly** verify 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  
Date

Signature of Authorised Signatory  
Designation/Status

**Information highlighted in yellow is not right and absolute wrong considering the principles of natural justice and Rules of Law of the Country. Information stating passing of benefits arising out of GST implementation is relevant from anti profiteering clause perspective.**

## Some Illustrative Examples

If Value of outward supplies reported in GSTR 1 = GSTR 3B = Books then data would be auto populated by GSTN Portal using GSTR 1 nothing to be done by the RTP.

GSTR 1 = GSTR 3B = Books =  
Rs.10,00,000/-

Table 4 = GSTR 1 =  
Rs.10,00,000/-

Any changes in GSTR 9- No

## Some Illustrative Examples

If Value of outward supplies reported in GSTR 1 =GSTR 3B matches but value as per Books don't match and such deviation are reflected in FY 1819 by RTP then data would be auto populated by GSTN Portal using GSTR 1 but filing AR , deviations reported In FY 1819 to be reported in Part V – Table 10 & 11. to the extent of GSTR 3B deviations

GSTR 1 = GSTR 3B = Rs.10,00,000/-

Books = Rs.15,00,000/-

Deviations = Rs.5,00,000/-

Table 4 = GSTR 1= Rs.10,00,000/-

Deviations to be reported in Part V of Table 10 & 11.

While filing GSTR 9- Table 10 & 11 to be updated by Rs.5,00,000/- only

## Some Illustrative Examples

If Value of outward supplies reported in GSTR 1 = Books matches but value as per 3B don't match and such deviation are reflected in FY 1819 by RTP then data of outward supplies to be considered as per 3B & not GSTR 1 but filing AR , deviations reported In FY 1819 to be reported in Part V – Table 10 & 11 to the extent of GSTR 3B deviations.

GSTR 1 = Books = Rs.10,00,000/-

GSTR 3B = Rs.15,00,000/-

Deviations = Rs.5,00,000/-

Table 4 = GSTR 3B= Rs.10,00,000/-

Deviations to be reported in Part V of Table 10 & 11.

While filing GSTR 9- Table 10 & 11 to be updated by Rs.5,00,000/- only

# Some Illustrative Examples

If Value of outward supplies reported in GSTR 1 = Books matches but value as per 3B don't match and such deviation are reflected in FY 1819 by RTP then data of outward supplies to be considered as per 3B & not GSTR 1 but filing AR , deviations reported In FY 1819 to be reported in Part V – Table 10 & 11 to the extent of GSTR 3B deviations.

GSTR 1 = Rs.12,00,000/-

GSTR 3B = Rs.10,00,000/-

Books = Rs.15,00,000/-

Deviations = Rs.5,00,000/-

Table 4 = GSTR 3B= Rs.10,00,000/-

Deviations to be reported in Part V of Table 10 & 11.

While filing GSTR 9- Table 10 & 11 to be updated by Rs.5,00,000/- only

# Summary-Annual Returns

- Data which has been auto populated is till 28/02/2019 so it recommended that all should wait till everyone uploads their GSTR 1 till 30<sup>th</sup> April 2019.
- Compute Tax Liability and pay through DRC-03.
- ITC credit can not be increased in the annual return but reversal of ITC is permissible in annual return.
- Data not entered in returns can be added in GSTR-9 effectively if liability increased then pay through DRC-03, if liability reduced the same shall be ignored by the systems and will allow for its filing.
- Most of tables contains auto populated data but the same is for convenience purpose but needs to be checked form books of accounts.

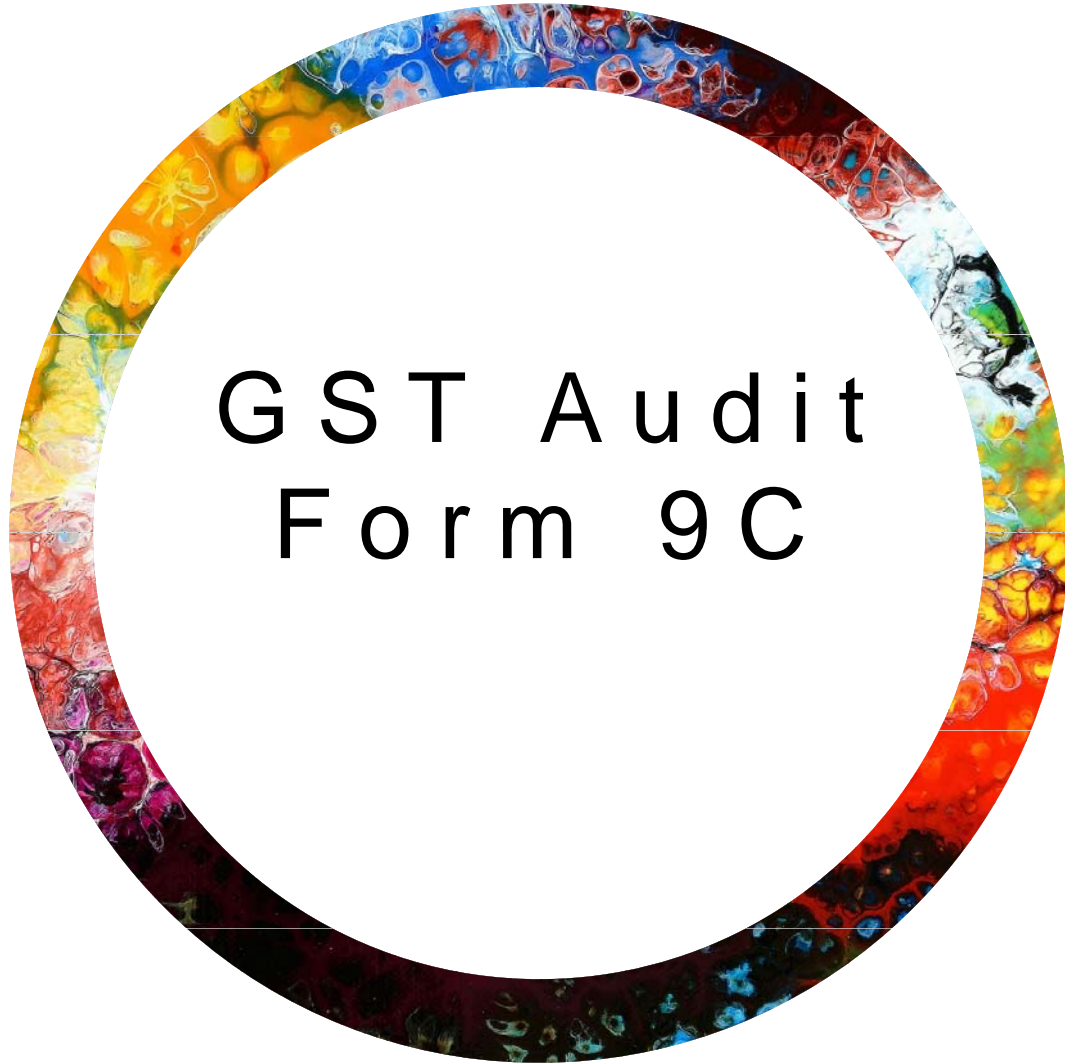
## Summary-Annual Returns

- This being the first year, please ensure that all workings papers in the form of documentation are kept on record so that in future they are available to substantiate your basis authenticating the compilation of annual returns.
- Please understand that Sovereign has all data available at their disposal using the techniques of data mining, Artificial Intelligence, Virtual and Mixed Technological data base to verify and match the data.
- All BU would be requested to explain substantiate and share their internal documents in future. So make sure you have everything maintained in physical as well as digital form to avoid any kind of probable litigation issues.



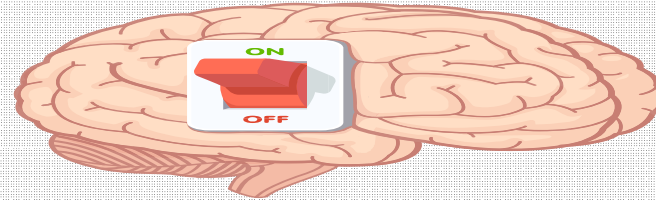
## Summary-Annual Returns

- Withdrawals and amendment of Annual Return filed won't be allowed or permitted due to block chain methodology followed by the GSTN Platform.
- If BU is unable to explain with the documentation , chances are that looking at the trend followed, such discrepancies might be result into issue of SCN and probable litigations which may disrupt ease of doing business in India.



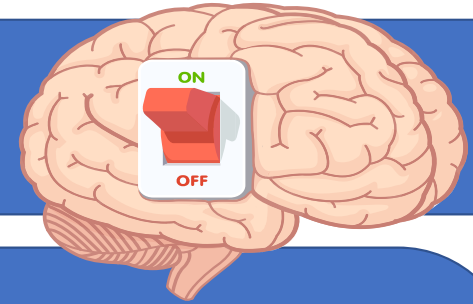
G S T A u d i t  
F o r m 9 C

# GST Audit



- |          |                            |          |                        |
|----------|----------------------------|----------|------------------------|
| <b>A</b> | GST Law                    | <b>B</b> | Statutory Reports      |
| <b>C</b> | Extended Business Laws     | <b>D</b> | Nexus Theory           |
| <b>E</b> | GST Audit Checklist Review | <b>F</b> | Circulars/Notification |
| <b>G</b> | AAR/ Old Regime precedents | <b>H</b> | Final Reporting's      |

# Audit Situations



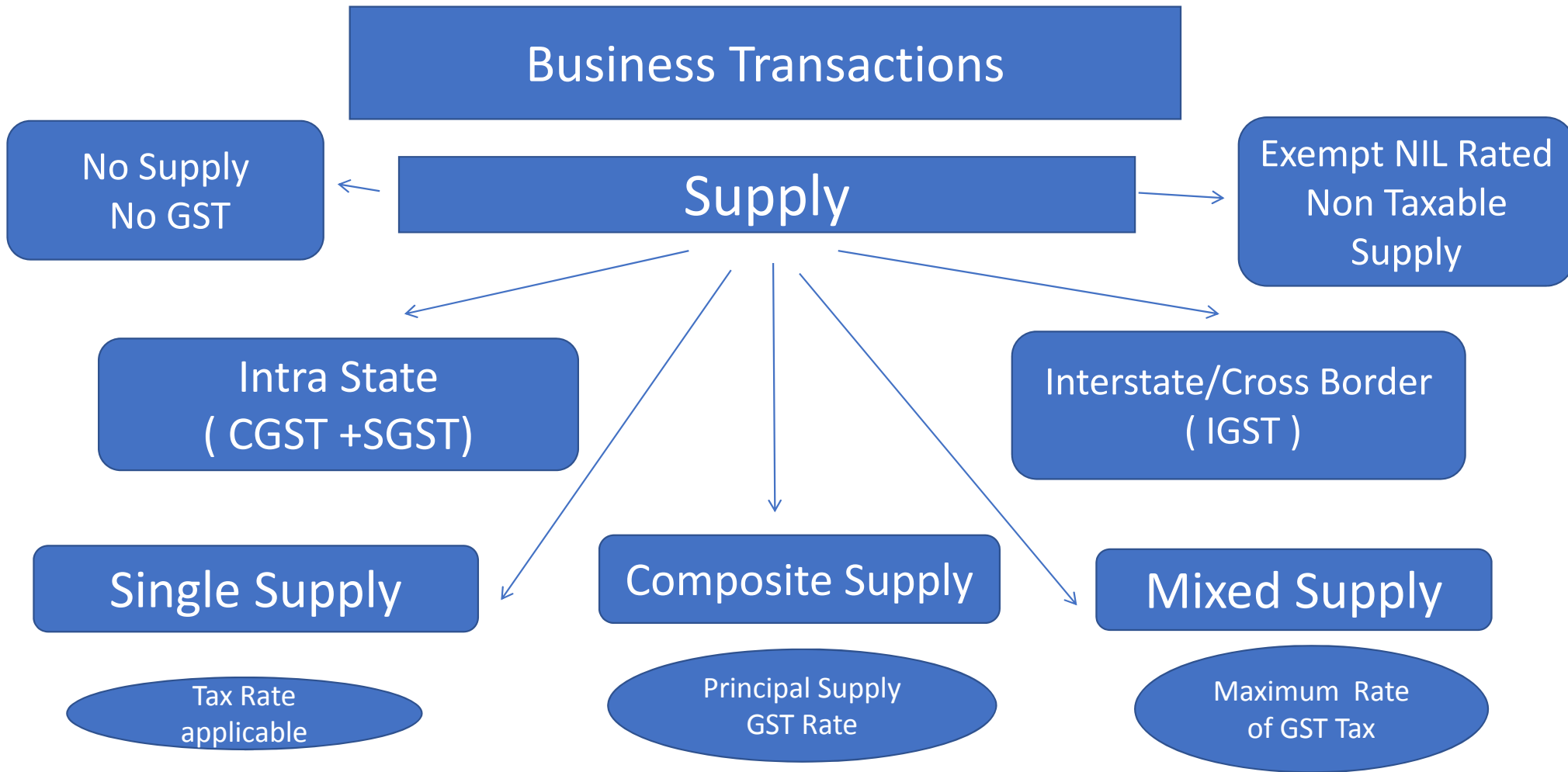
- Audit in Normal Relationships
- Wedding Examples – Ambani + Piramals , Priyanka & Nick , Ranveer and Deepika
- Sundry creditors written back on which ITC has been claimed
- Writing off Fixed Assets in the Financial Statements
- Industry – Real Estate, FMCG etc.
- Multi State GSTIN Audit Issues – Languages – determination of ITC reversals under Rule 42 & Rule 43.
- Audit opinion – Positive and Negative

# AUDIT OF BUSINESS UNITS

- Audit Enforced by Law – Statutory Audit/Cost Audits/Tax Audit/VAT Audit/GST Audit/Society Law/Special Audits/Investigation Audits etc.
- Voluntary – Internal/Suo Motto/Due Diligence
- Banks – Stock Audit/Revenue Audits/Forensic Audit/Concurrent Audit
- Industry specific – Insurance , Aviation's, SEBI, Pharma- FDA etc.
- Any other Type of Audits
- GST audit is the audit driven by verification of the documentation and economic transaction values of business enterprise (including deemed supplies between Related parties and distinct persons)

# AUDIT OF BUSINESS UNITS

- Audit Test checks ? 100% verification ? This being the first year one needs to be extra vigilant , careful in maintaining the documentation because there is convergence of Accounting, Direct Tax Law, Indirect Laws under old regime as well as new regime and all other ancillary and incidental laws applicable to BU.
- One needs to be clear who would be using such Reports and Financial Statements ( Stakeholders – Target audience )
- Considering size, volume and nature of economic activity audit needs to be conducted by using technology features as the volume of data assimilation is a Hercules task to complete the audit by 30.06.19. ( Extension ?)



# Composite Supply

Section 2(30) defines “**Composite supply**” means a **supply made** by a taxable person to a recipient comprising **two or more supplies of goods or services, or both or any combination thereof**, which are **naturally bundled and supplied in conjunction** with each other in the ordinary course of business, one of which is a **principal supply**;

“**Principal supply**” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply;

Where goods are packed and transported with insurance , the supply of goods , packing materials , transport and insurance is a composite supply and supply of goods is a principle supply.



# Mixed Supply

*Section 2(74) “Mixed supply” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply – **Will attract the Highest Rate of Tax***

**Examples:** Supply of soap bars where soap boxes are given free of cost; supply of wheat for which a bottle of honey is given free of cost.

In the above example of honey being supplied with wheat, both wheat and honey will be taxed at the rate of tax applicable for honey (being commodity taxed at higher rate).

# Annual Returns –Audit Points to be considered

## Outward Supply

- Classification Issues –HSN & SAC
- POB Issues
- Incorrect Reporting
- Non Reporting
- Exempt, NIL Rated & Non Taxable Supplies
- Documents information in GSTR 1

## ITC

- Wrong claim of ITC
- Tax Invoices not auto populated in GSTR 2A
- Reversals under Rule 37,39,42 & 43 etc.
- Unclaimed ITC in GSTR 3B
- LUT Issues
- Nexus Theory – Table 17/18

## Tax Paid

- Wrong deposit of Tax u/s Section 77
- Wrong Deposit of Interest payable
- Non Deposit of GST , Interest, Late Fees etc.
- Payment of tax due to ITC issues

Illustrative Only

# GST Audit Amendments

## Form GSTR 9C – changes

Before

Table 5J - CN accounted for in Annual Financial statements but are not permissible under GST.

Table 5E - CN issued after the end of the FY but reflected in the Annual Returns

Mandatory filing of R1, R3B & R 9 was not necessary.

No option to pay additional liability



After

Earlier it was to be deducted but after amendment it has been corrected now it is to be added – Conceptual error rectified

Earlier it was to be added but after amendment it has been corrected now and provided to be deducted – Conceptual error rectified

Now Mandatory filing of R1, R3B & R 9 without the same filing 9C can not be filed by any RTP.

Now additional liabilities can be paid through DRC 03 only in cash

## Form GSTR 9C – changes

Before

Taxable Turnover as per liability declared in Annual Return ( GSTR 9- Table 7F)

Source data 4N of GSTR 9 = Total Supplies + Advances made on which tax is payable as per returns filed + RCM supplies (Table 4G) but **didn't include supplies/taxes declared through amendments.**



After

Conceptual error rectified now Table 4N-4G+ ( Table 10- Table 11)

Table 10- Supplies /Tax declared through Amendments ( net of debit notes )

Table 11 – Supplies/tax reduced through amendments ( net of credit notes )

## Pausers – GSTR 9C?

- Difference of Opinion with Audit Team Members as well as with clients
- Difference of opinion due to notifications/circulars/AARs etc
- Drafting should be done meticulously to avoid any kind of litigation
- Can we rely on Management representation letters ?
- Can we say that it is not possible to verify some aspects of business transactions?

## Pausers – GSTR 9C?

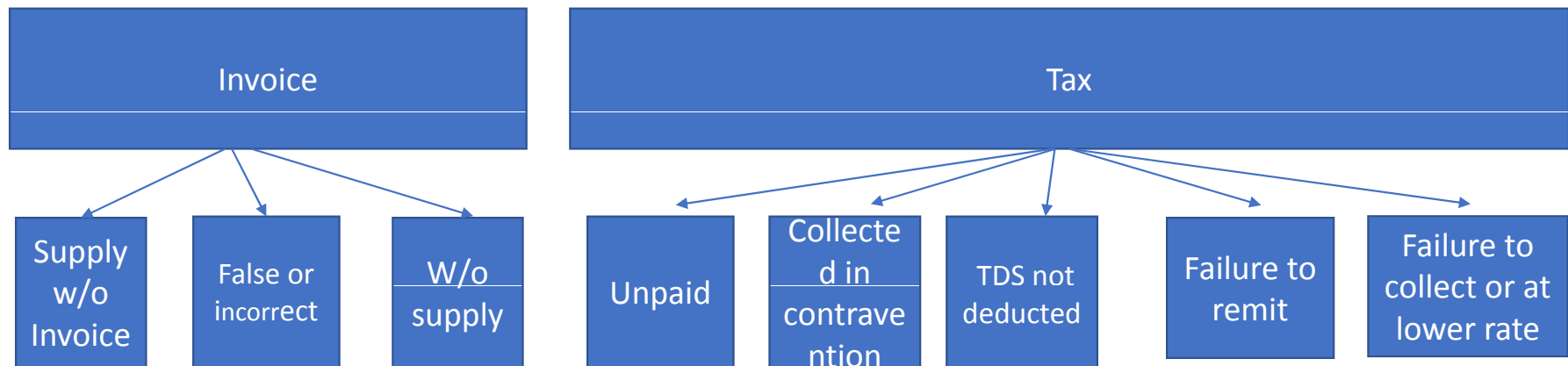
- Can we say that in some business practices are followed but they are not aligned to GST law ? So whether business practice would prevail or GST law would prevail?
- Can we say that due to shortage of staff or last minute approach by the client, there is a mistake in the audit report? Will such stand would accepted as defence?
- Can we say certain books of accounts not maintained ?
- Can we ignore the verification of RC
- Can we apply the principles of Materiality while doing attestation function?

## Pausers – GSTR 9C?

- Can we ignore the classification of goods and services of the supplies?
- Can we apply the principles of Materiality while doing attestation function?
- Do we reconcile the transactions with subsidiaries /branches or not?
- Can we say stock records not maintained under Income Tax Law and thus quantitative details not reported under GST law?
- If Client has applied against Advance Ruling so how do we report such aspect in GST Returns ?



## Some illustrative situations under section 122(1) rws 73/74



### Penalty

1. minimum Rs.10000/- 2. Tax evaded 3. Tax not deducted 4. Tax which is short deducted /collected 5. Tax collected but not paid to the Govt 6. ITC wrongly availed 7. ITC wrongly distributed by ISD 8. Fardulenet claim of refunds

Any person who aids or abets any such offence shall be liable to a penalty which may extend to Rs.25000/-

## Some illustrative situations under section 122(1) rws section 73/74

### Other Offences

```
graph TD; A[Other Offences] --> B[Tampers/destroys any material evidence or documents]; A --> C[Disposing/tampering with goods detained seized or attached];
```

Tampers/destroys any material evidence or documents

Disposing/tampering with goods detained seized or attached

### Penalty

1. minimum Rs.10000/- 2. Tax evaded 3. Tax not deducted 4. Tax which is short deducted /collected 5. Tax collected but not paid to the Govt 6. ITC wrongly availed 7. ITC wrongly distributed by ISD 8. Fardulenet claim of refunds

Any person who aids or abets any such offence shall be liable to a penalty which may extend to Rs.25000/-

## Illustrative Reasons for unreconciled Turnover as per Row 5R

Accounting Standards Disclosures

Goods sent on Approval Basis

Export of Goods without satisfying the conditions of  
Zero rated supply

Any other reasons

# Reconciliation OF TURNOVER DECLARED IN AUDITED FINANCIAL STATEMENTS WITH TURNOVER DECLARED IN ANNUAL RETURN (GSTR -9) – HOW TO CHECK AND ARRIVE?

## What do we check ?

- GSTR 1 V. Books
- GSTR 3B V. GSTR 1
- GSTR 3B V. GSTR 2A
- GSTR 2A V. Books
- Re-cast, Reclassify and reverify the data and re-reconcile again

## Why do we check?

- Shortlist the errors or deviations
- Prepare the reconciliations
- If exercise is done early then economic outflow on account of Interest can be mitigated

## How do we interpret such checks?

- Comparison of all Tables
- Conclude which figures/data are accurate
- Draw up the reconciliations.

## Reconciliation OF TURNOVER DECLARED IN AUDITED FINANCIAL STATEMENTS WITH TURNOVER DECLARED IN ANNUAL RETURN (GSTR -9) – ILLUSTRATIVE Mismatch REASONS / DEVIATIONS

### Outward Supplies

- Outward Invoices not recorded – OTL will go up
- Non recording of CN/DN
- Duplication of Invoices , DN & CN
- Non Reporting of Exempt, Nil Rated & Non GST Supplies
- Taxable supply considered as exempt supply and vice versa
- Export Turnover being Zero Rated having no impact on OTL not reported in the returns.

### Inward Supplies

- Inward Invoices not recorded – OTL will go down
- Non recording of CN/DN
- Duplication of Invoices , DN & CN
- Non Reporting of Exempt, Nil Rated & Non GST Supplies
- Taxable supply considered as exempt supply and vice versa
- Incorrect upload of Invoices by the Vendors ( including Non GST Invoices )

# Reconciliation OF TURNOVER DECLARED IN AUDITED FINANCIAL STATEMENTS WITH TURNOVER DECLARED IN ANNUAL RETURN (GSTR -9) – ILLUSTRATIVE Mismatch REASONS / DEVIATIONS

## Outward Supplies

- Incorrect reporting of Exempt supplies under Zero Rated supplies
- Non compliance – 5(3) 5(4) 9(3) & 9(4)
- Non Reporting of Non GST Outward Supplies
- Incorrect /wrong Reporting of Non GST Outward Supplies
- RCM accounting entries /closing entries not passed.
- Typo Errors while filing GSTR 3B
- Incorrect Discount treatments

## Inward Supplies

- Incorrect reporting of Exempt supplies under Zero Rated supplies
- Non compliance – 5(3) 5(4) 9(3) & 9(4)
- Non Reporting of Non GST Outward Supplies
- Incorrect /wrong Reporting of Non GST Outward Supplies
- RCM accounting entries /closing entries not passed.
- Typo Errors while filing GSTR 3B
- Incorrect Discount treatments
- Reversals under Rule 37 -16(2) Rule 42 & Rule 43 not done.
- Re availment of ITC under 16(2)

## Reconciliation OF TURNOVER DECLARED IN AUDITED FINANCIAL STATEMENTS WITH TURNOVER DECLARED IN ANNUAL RETURN (GSTR -9) – ILLUSTRATIVE Mismatch REASONS / DEVIATIONS

### **Outward Supplies**

- Typical errors in invoices
  - GSTIN Number
  - Invoice No
  - Invoice Date
  - Invoice value – Gross/Net
  - Rate
  - Taxable Value
  - IGST/CGST/SGST/UTGST/Cess
  - Place of Supply

### **Inward Supplies**

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  - Taxable Value
  - IGST/CGST/SGST/UTGST/Cess
  - Place of Supply

# Clause by clause analysis – gstr 9c – Reconciliation OF TURNOVER.

| 7 | Reconciliation of Taxable Turnover   | Amount in INR |
|---|--|---------------|
| A | Annual Turnover after adjustments ( from 5P above )                          | Auto          |
| B | Value of Exempted, NIL Rated , Non GST Supplies, No Supply Turnover          |               |
| C | Zero rated Supplies without payment of Tax                                   |               |
| D | Supplies on which tax is to be paid by the recipient on reverse charge basis |               |
| E | Taxable Turnover as per adjustments (A-B-C-D)                                | Auto          |
| F | Taxable Turnover as per liability declared in Annual Return (GSTR 9)         |               |
| G | Unreconciled Taxable Turnover ( E- F )                                       | AT2           |
| 8 | Reasons for unreconciled Taxable Turnover .....A to C                        | Text          |



# Reasons for un-reconciled payment of amount

## GSTR 3B deviations (+/-)

- GSTR 1 matches with AFS w.r. to tax payable ( value )
- GSTR 3B shows differently from the books of accounts
- Reported in Part V – Auditors recommendation of additional tax liabilities

## GSTR 1=GSTR 3B but mismatch with AFS

- 3B=R1
- But mismatches with AFS
- Captured in Table 10-reasons for unreconciled payment

## GSTR 1=AFS & GSTR 3B but tax levy don't match

- Taxable value of 3B = Value of GSTR 1
- Tax payable as self assessed in GSTR 3B is different from reported in GSTR 1
- Captured in Table 10-reasons for unreconciled payment

## Clause by clause analysis of form 9C –gst audit report - Part B – Certifications

Certification in cases where reconciliation statements as per PART A in Form 9C is drawn by person who had conducted regular audit by BU

Certification in cases where reconciliation statements as per PART A in Form 9C is drawn by any other person other than who had conducted the audit of accounts of BU

- 1. I/we have examined the.....
  - b. a. balance sheet as on.....
  - profit and loss account/income and expenditure for the period beginning from ..... to ending on.....and
  - **C. Cash flow statement for the period beginning for the period from.....to ending on.....attached herewith of M/s .....( Name..... ( address.....) GSTIN..... (?????)**

- 1. I/we report that the audit of books of accounts and Financial statements of M/s ..... ( Name & Address of the assessee with GSTIN ) was conducted by M/s..... ( full name address of auditor along with status) being 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 :-
  - a. balance sheet as on.....
  - b. profit and loss account/income and expenditure for the period beginning from ..... to ending on.....and
  - **C. Cash flow statement for the period beginning for the period from.....to ending on.....attached herewith of M/s .....( Name..... ( address.....) GSTIN..... (?????)**
  - D. documents declared by the said Act to be part of or annexed to, the p & L/I & E and balance sheet

## Comparison between GSTR 9 & GSTR 9C

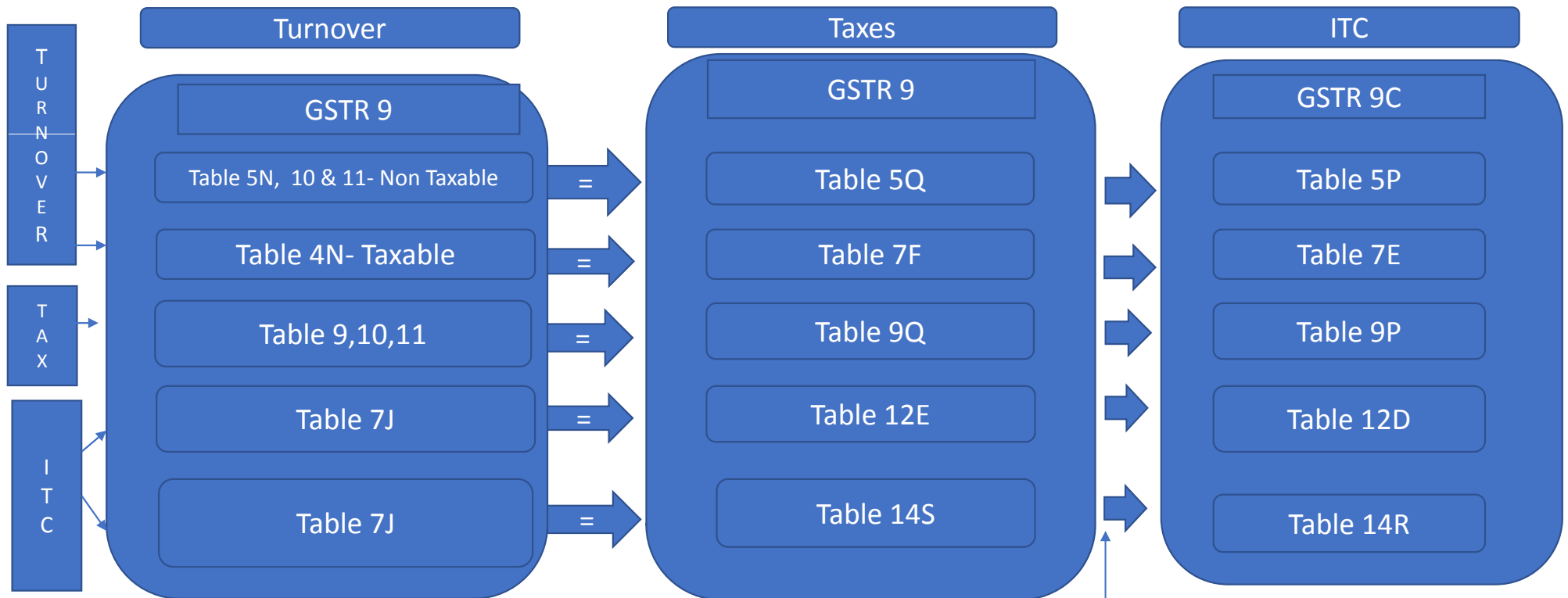
### GSTR 9

- 6 Tables – Turnover , Taxes & ITC
- Option to pay tax, interest , penalties etc through DRC 03 in cash only
- Reporting of actual information for FY 1718 + Circular 26 effects reported in Apr – Mar 19
- To be filed by RTP only
- To be filed on or before 30.06.2019

### GSTR 9C

- 5 Tables – Turnover , Taxes , ITC & recommendations
- Recommendation to pay tax, interest , penalties etc & Pay through DRC 03 in cash only
- Reporting of reconciliations & Comparisons and Reasons for deviations
- To be filed by CA and RTP only
- To be filed on or before 30.06.2019

## Convergence between GSTR 9 & GSTR 9C



Comparisons if Equal no problem and if not equal reasons to be given for such variations in three rows only in text

# Summary

## GSTR – 9C

Turnover-  
GSTR 1

Tax Paid -  
CASH AND  
CREDIT  
LEDGER

Input Tax  
Credit – GSTR  
3B /2A

# Outward Supply

What to do

## Case Study 1 – 9C Applicability?

If non corporate professional following cash system of accounting having only one GSTN number has received professional fees less than two crores say 1.9 crores whereas as per GSTR 1 he has done billing of more than 2 crores say 2.5 crores in such case whether 9C Audit reporting is required to be done or not especially when section 35(5) refers to turnover as per audited financial statements? Professional can be engineer, architect, CA, CS or any self employed professionals assuming aggregate turnover and GSTR 1 are equal and there is no adjustment on account of valuation as well as employee compensation required. Technical guide of ICAI say turnover should be considered as per audited financial statements. Whether GST audit in 9C would trigger?

# Input Tax Credits



What to do

## Case Study 2 – Cross Border Transactions – ITC reversals

1 A Ltd has imported goods worth Rs.1 Crores on which IGST @ 28% has been paid on 10/09/2017 and the same is availed in 3B by them during the month of Sep 2017. Out of Rs.1 Crores only Rs.50 Lakhs have been paid till 15/02/2018 & Balance is not paid till today?

2. Similarly A Ltd has imported technical services of Rs.25,00,000/- on which IGST @ 18% has been paid on 15/12/2017 and the same is availed in December 2017 but they are unpaid till today?

Q. Will Rule 37 would trigger whereby A needs to reverse such ITC claimed? How the same transaction should be reported in GSTR 9 as well as GSTR 9C?

# Books of Accounts

What to do

## Case Study 3 – Books of accounts

1. Happy Home Ltd is having three streams of Revenues for which only one set of books of accounts are maintained by them. Revenue streams are as under:-
  - a. Sale of Residential as well as Commercial Apartments after the completion of OC which is received on 01/01/2018 ( No flats sold before OC – Ready possession flats )
  - b. Development of Under construction property under Redevelopment scheme started on 1/10/2017; (All Flats sold during under construction stage itself)
  - c. Sale of Electricity generated through Wind Mills. ( sold through out the year)

What to do

## Case Study 3 – Books of accounts (contd)

2. Happy Home Ltd has claimed following types of inputs tax credits in their 3B during the financial year 2017/18 which are as under:-

- a. Architect fees for Ready possession flats – Rs.18,00,000/-
- b. Architect fees for under construction flats – Rs.12,00,000/-
- c. AMC charges of Windmill - Rs.9,00,000/-

All above ITC has been utilized by them against their OTL ? Is such utilization is correct? If yes why? If No why? How above situations should be dealt while compiling the GSTR 9 as well as reporting in GSTR 9C? Is it recommended to maintain separate books of accounts for each of the projects?

# LUT ( Letter of Undertaking )

What to do

## Case Study 4 – Cross Border Transactions under LUT

1. Toon Toon Ltd have exported value of goods amounting to Rs.1,00,00,000/- by paying IGST @ 12% i.e. Rs.12,00,000/- during the month of December 2017 with appropriate Shipping Bill and all details are properly reflected in R1 & 3B;
2. Due to some trade reasons, now they need to raise the Debit Note for Rs.10,00,000/- in respect of above supply and they have obtained LUT now can they raise DN without the levy of IGST?

Q. If they can raise DN without levy of IGST, will it create any issue in respect of claim of refund ITC as well as claim of refund of IGST on such supply? How such transaction would be reported in GSTR 9 ?

What to do

## Case Study 4 – Cross Charge

1. Acumen India have branches all over India and HO located in Mumbai and they are providing their services to their Parent entity located in Acumen, Germany. As of now , all branches are raising their invoices their parent entity in CFE, all of them are having their respective GSTN Numbers as well as LUT as per the provisions of GST Act 2017.
2. As of now, HO is receiving the Foreign Inward remittance for all the branches located within India in CFE in respect of all invoices raised by them as cost of remitting to each of the branch is major concern for the Parent entity located in Germany and in turn HO would remit the necessary funds to respective branches towards their provision of services.

# Cross Charge Levy



What to do

## Case Study 4 – Cross Charge (contd)

3. Acumen India is contemplating to raise cross charge invoices to HO by levying IGST as applicable for the services provided to Parent Entity Acumen, Germany.
4. If above arrangements are executed by them , will it create any issues for the claim of IGST refund in the hands of HO?
5. Is raising of Cross charge invoices by Branches to HO is right especially when Branches are providing services directly to Parent Entity located outside India viz. Acumen Germany?
6. If you are the advisor as well as Auditors how will you report such transaction under the law at the time of filing of GSTR 9 as well as GSTR 9C?

# Registration + Levy

What to do

## Case Study 5 – Event Management Services

Tom & Jerry Events Ltd have their registered office In Mumbai and they are providing the exclusive event management services to several clients located all over the India. For the filing of GSTR 9 as well as conducting GST audit they have approached you for the necessary advise as they are getting confusing advise from various professionals which is as under:-

- a. Are they required to be obtain registration at their Registered Office or they have need to register themselves as CTP in each of the states where they held their events by providing the event management services to the respective clients?
- b. All local vendors providing services to them in different states should bill them C +S or IGST ?

Please advise & suggest how to report such transactions in GSTR 9 as well as GSTR 9C?

# Unbilled Revenue

What to do

## Case Study 6 – Unbilled Revenue

Pilot Project Ltd is a well established infrastructure company is undertaking the development of infrastructure on BOLT basis. Their projects runs into millions of rupees and they have the system of raising invoices under continuous supply of services and their invoices are settled as and when they are approved by the Chief Architect/Engineer of the each of the projects.

Now their accountant has reported unbilled revenue in 3B as Exempt services whereas in GSTR 1 such revenues are not reported as they need not be reported.

You are requested to advice how such transaction should be reported in GSTR 9 as well as GSTR 9C? Please enlighten.

# Bill to Ship Model

What to do

## Case Study 7 – Bill to Ship

In case of FOB Import from China or Ex works import of Goods from china, Indian importer typically employs services of Indian freight forwarder. Such Indian Freight Forwarder typically connects with Chinese freight forwarder for Import of Goods (from Factory of Chinese manufacturer in case of Ex works import and from port of china in case of FOB Import). Chinese forwarder pays directly to shipping line and Indian forwarders pays to Chinese forwarder in forex. Indian forwarder charge 5% GST on Indian importer on ocean freight and 18% GST on other charges. Issue for consideration: Whether Indian Forwarder is required to pay GST on RCM basis on such freight forwarding charges paid to Chinese forwarder as import of services?

Section 13(9) of IGST Act reads as under (9) The place of supply of services of transportation of goods, other than by way of mail or courier, shall be the place of destination of such goods.

# Cross Border Revenue – FEMA violations



What to do

## Case Study 8 – Revenue

MNC India is the subsidiary of MNC overseas whose business is scattered all over the world. MNC India has transactions with all the entities of MNC overseas. MNC India CA is providing services to MNC overseas entities in respect of various tax laws compliances to be done in India considering POEM, BC, PE etc. As per the provisions of FEMA, MNC India CA is required to raise his invoices on MNC overseas Entities but as per the terms of the arrangement MNC India CA should not raise any invoices on MNC Overseas Entities what fees he is charging to MNC India which includes services provided to MNC Overseas Entities.

Q. Will such non invoicing permitted under GST law to MNC India CA ? Is it not the violation of FEMA when his fees raised to MNI India for services rendered to MNC Overseas Entities especially when there is loss foreign exchange for the RBI ? What should be done in such scenario?

# Input Tax Credits Capex

What to do

## Case Study 9 – Input Tax Credits - Capex

### Fixed Assets Schedule as on 31<sup>st</sup> March 2018

| Sr No | Nature of Fixed Assets                         | Opening Balance | Additions ( Net of ITC )                          | Gross Assets before depreciations |
|-------|--|-----------------|---|-----------------------------------|
| 1     | Plant & Machinery                              | Rs.2,00,000/-   | Rs.1,00,000/-                                     | Rs.3,00,000/-                     |
| 2     | Computer System                                | Rs.3,00,000/-   | Rs.2,00,000/-                                     | Rs.5,00,000/-                     |
| 3     | Furniture & Fixtures                           | Rs.1,00,000/-   | Rs.50,000/-                                       | Rs.1,50,000/-                     |
| 4     | Capital Work-in-Progress ( Office Renovations) | NIL             | Rs.10,00,000/- ( ITC claimed in 3B Rs.1,00,000/-) | Rs.10,00,000/-                    |

What to do

## Case Study 9 – Input Tax Credits - Capex

### Fixed Assets Schedule as per Tax Audit for AY 18/19

| Sr No | Nature of Fixed Assets                         | Opening Balance | Additions ( Net of ITC ) | Gross Assets before depreciations |
|-------|--|-----------------|--------------------------|-----------------------------------|
| 1     | Plant & Machinery                              | Rs.1,00,000/-   | Rs.1,00,000/-            | Rs.2,00,000/-                     |
| 2     | Computer System                                | Rs.60,000/-     | Rs.2,00,000/-            | Rs.2,60,000/-                     |
| 3     | Furniture & Fixtures                           | Rs.75,000/-     | Rs.50,000/-              | Rs.1,25,000/-                     |
| 4     | Capital Work-in-Progress ( Office Renovations) | NIL             | NIL                      | NIL                               |

What to do

## Case Study 9 – Input Tax Credits - Capex

Q. When ITC on Capital Work – in -Progress should be claimed? Is it to be claimed when it is capitalized in the books of accounts and same are reported as put to use in Section 32 schedule of ITR? Or Additions to Fixed Assets as per ITR and additions in GST law can be different? If yes can ITC on WIP can be booked and availed in books and utilized when it is put to use? Point to ponder upon

# POS Vs. ITC claim

## POS Vs. ITC claim

Chubby Entertainment Limited is located in the State of Maharashtra;

1. GST Registration has been obtained in the State of Maharashtra;
2. It has to carry out shooting in the Gurgaon for which they have booked the hotel through TCI who has charged them IGST for their period of Stay.
3. Chubby's accountant has claimed the set off such IGST against their Output Tax liabilities.

Is such claim of IGST correct? If Yes why? And if No why?

## POS Vs. ITC claim

1. Even though Travel Corporation (India) Ltd. GST Registration from Gurgaon. The service provider has provided Accommodation services in Gurgaon but they have charged IGST on their Invoice which is incorrect as the place of supply is Gurgaon as per Section 12(3)(b) of IGST Act, 2017.
2. Section 12(3) covers supplies of services which are in relation to an immovable property or boat or vessel or boat.  
As per Section 12(3)(b), Service provided by way Of lodging, accommodation by a hotel, inn, guest house, homestay, club, campsite, house boat, vessel. **Location of the immovable property or the boat or the vessel is the place of supply**



## POS Vs. ITC claim

**3.** Hence in their case , the location of Immovable property is Gurgaon and therefore CGST and SGST has to be charged on Invoice instead of IGST.

**4.** Therefore, it is advised not take the credit IGST as it will lead to wrong availment of ITC under Section 73 of CGST Act, 2017 & they should reverse the same with applicable rate of interest in AR 9 and pay through DRC 03.

# Conclusion

- This being the first year, please ensure that all workings papers in the form of documentation are kept on record so that in future they are available to substantiate your basis authenticating the audit reports.
- Please understand that Sovereign has all data available at their disposal using the techniques of data mining, Artificial Intelligence, Virtual and Mixed Technological data base to verify and match the data.
- All PU would be requested to explain substantiate and share their internal documents in future. So make sure you have everything maintained in physical as well as digital form to avoid any kind of probable litigation issues.
- Withdrawals and amendment of Audit Report filed won't be allowed or permitted due to block chain methodology followed by the GSTN Platform.
- If PU is unable to explain with the documentation , chances are that looking at the trend followed, such discrepancies might be reported to Disciplinary Committee of ICAI.

SURROUND YOURSELF WITH PEOPLE WHO TALK ABOUT VISION AND IDEAS NOT PEOPLE

## Thank You for the Patient Hearing

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