

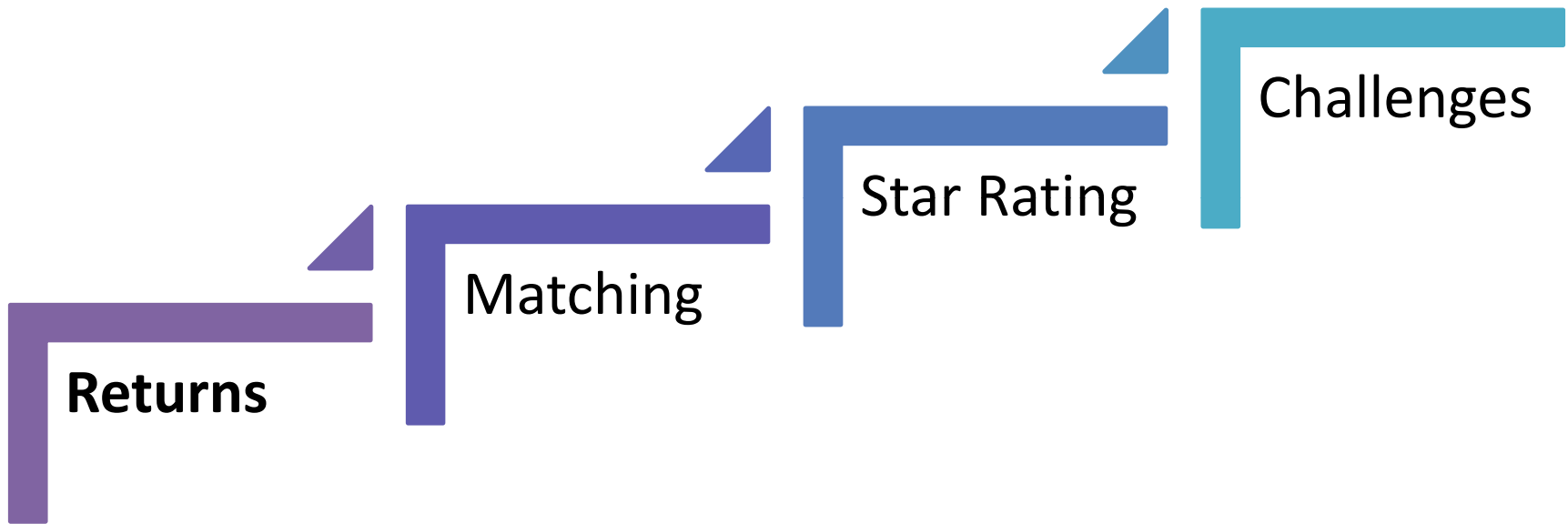
RETURNS & CHALLENGES

Goods and Services Tax(GST)

REFRESHER COURSE ON GST

CA Ashish Kedia

A V Kedia & Associates



Return of Outward Supplies - GSTR 1 (1/2)

Details of **outward supplies of goods and/ or services** during a tax period – Directly or through FC [Section 37]

Filed by the **10th** of the **following month**. Blocked thereafter- 5 days

Filed in **GSTR-1**. Made available to recipient in GSTR – 2A

Outward supplies include:

- ✓ Zero rated
- ✓ Inter-state
- ✓ Return of goods
- ✓ Exports
- ✓ Dr./ Cr. notes
- ✓ Supplementary invoice

Return of Outward Supplies (2/2)

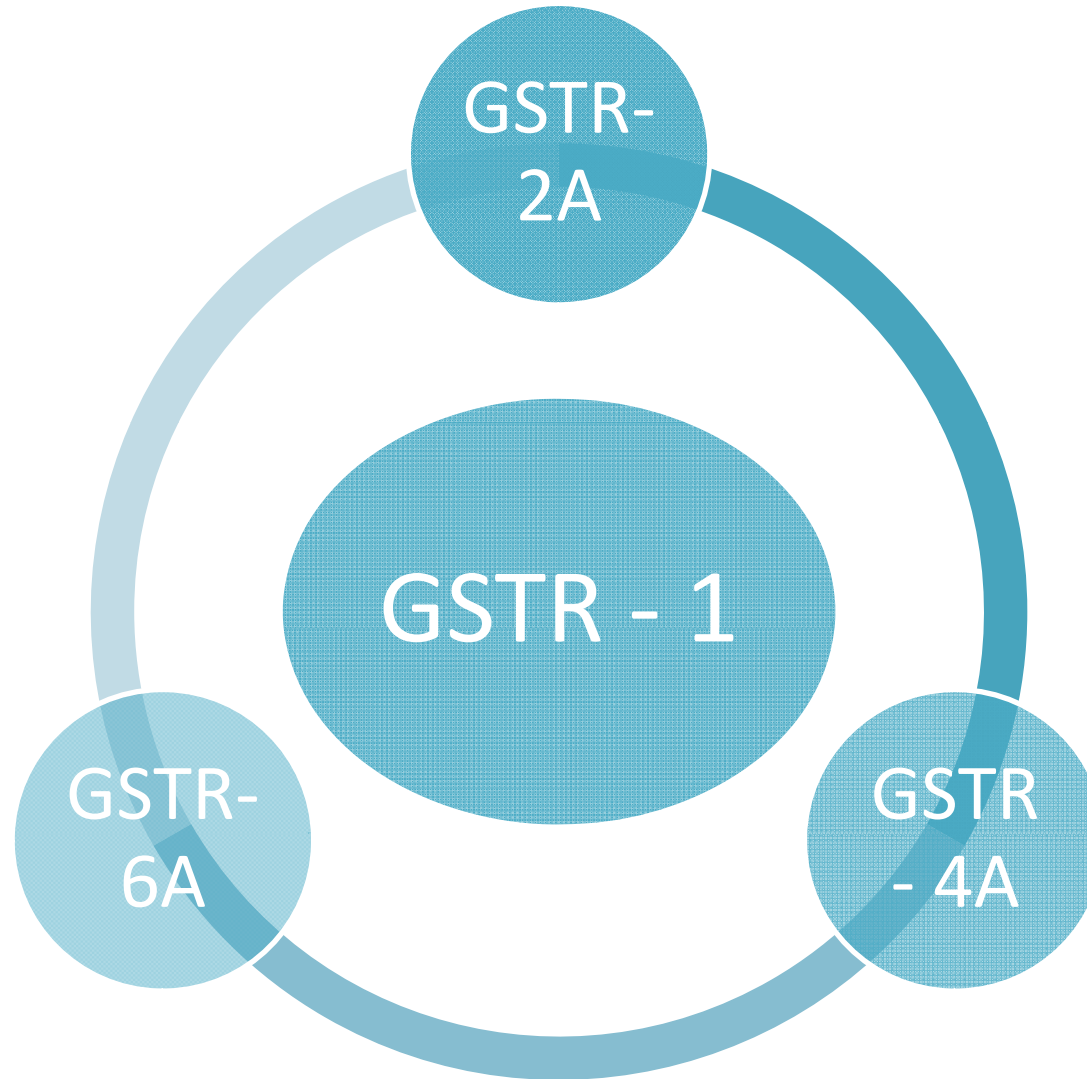
Not applicable to Composition, TDS, TCS and ISD

No revision of “Original” return – Errors/ Omissions whenever discovered will be corrected in the return to be filed of that period

Corrections to be filed on/ before:

- ✓ Filing of Annual return
- ✓ Due date of filing of O/w supplies return for month of September following the end financial year to which the details pertain

GSTR – 1 : Mother of all returns



Return of Outward Supplies – Contents (1/4)

Basic details of the Taxpayer

Gross T/o of Taxpayer in the previous Financial Year

Invoice-level supply information separately for goods and services

- B2B supplies
- **ALL** (exempted/ non-GST) inter-state B2C supplies - invoice level details in respect of every invoice whose value is more than Rs. 2,50,000/-
- Inter state B2C Supply less than 2.5 lac – statewise supply summary, if address on record*

* Address of buyer needs to be mandatorily recorded on invoices above Rs. 50,000/-. Invoice below Rs. 50,000/- where address is not on record will be treated as intra-state supply

Return of Outward Supplies – Contents (2/4)

HSN and Service Accounting Code (SAC)

- ✓ HSN (4 digit)/ SAC mandatory for taxpayers with turnover > 5 crore in preceding F.Y.
- ✓ turnover Rs 1.5 Crores ~ Rs 5 Crores in the preceding financial year – HSN (2 digit) from 2nd year of implementation
- ✓ Composition dealer – may not have to report HSN
- ✓ 8 digit HSN/ SAC mandatory for imports/ export

No need to mention description of goods unless taxpayer T/o < 1.5 crore

SAC will be prefixed with 'S'

Intra state B2C supplies aggregated and reported

Return of Outward Supplies – Contents (3/4)

Details relating to **place of supply** as per Place of Supply rules

Supplies attracting reverse charge

Advances received against future supplies

Taxes paid on **advances for which tax invoices issued** in current period

Supplies **exported** (including deemed exports) with/ without payment of IGST

Revisions in relation to outward supply invoices pertaining to previous tax periods (**Debit/ Credit note**)

Return of Outward Supplies – Contents (4/4)

Separate table for effecting **modifications/correcting errors** in the returns submitted earlier

Separate table for submitting details in relation to **NIL rated, Exempted and Non-GST outward supplies** to registered tax payers and consumers

Return of Inward Supplies – GSTR 2 [Sec. 38]

O/w supply statement validated by recipient = I/w Supply

Modification, additions and deletions allowed to details of outward supplies and Dr/Cr notes

Inward supply contains services on which **tax discharged under reverse charge**

Filed by 15th. Rectification allowed by filing details in subsequent statement (time barring similar to O/w supply)

Recipient **determine quantum of ineligible ITC** - at invoice level or consolidated

Enter details of **supplies from non resident taxable person**

Return of Inward Supplies – Components (1/2)

Basic Taxpayer details

Final invoice level supply information relating to goods and services separately

GSTR-1 will **auto populate** GSTR-2

ITC received against **one invoice in one lot** – credit available in the period in which purchase is recorded in books

ITC received against **one invoice in multiple lot** – credit available in the period in which last lot of purchase is recorded in books

Return of Inward Supplies – Components (2/2)

Separate table for:

- ✓ Import of goods, capital goods and services
- ✓ ITC on invoices partial credit of which availed earlier
- ✓ Dr./ Cr. Notes
- ✓ Modification/ correction errors of earlier periods
- ✓ Nil rated, exempt and non GST inward supplies
- ✓ ISD credit
- ✓ TDS credit

Inward supply statement will **auto populate ITC ledger**

Monthly Return – GSTR 3 [Sec. 39]

Return depicting inward and outward supplies, ITC, tax payable and paid and other particulars prescribed

Filed by 20th of the following month (for composition dealers – 18th of month following quarter)

Cannot be furnished if previous return not furnished

If **tax payable not paid by the last day** of filing - return defective

Nil return mandatory

Late fee – Rs. 100/ day (Maximum Rs. 5,000)

Monthly Return – Components (1/2)

Turnover Details - Gross Turnover, Export Turnover, Exempted Turnover, Nil Rated Turnover, Non GST Turnover and Net Taxable Turnover

Aggregate I/w and O/w supply auto populated

TDS credit received and credited to cash ledger

Tax liability under CGST, SGST, IGST and Additional Tax

Cr./ Dr. notes

Other liabilities (i.e. Interest, Penalty, Fee, others etc)

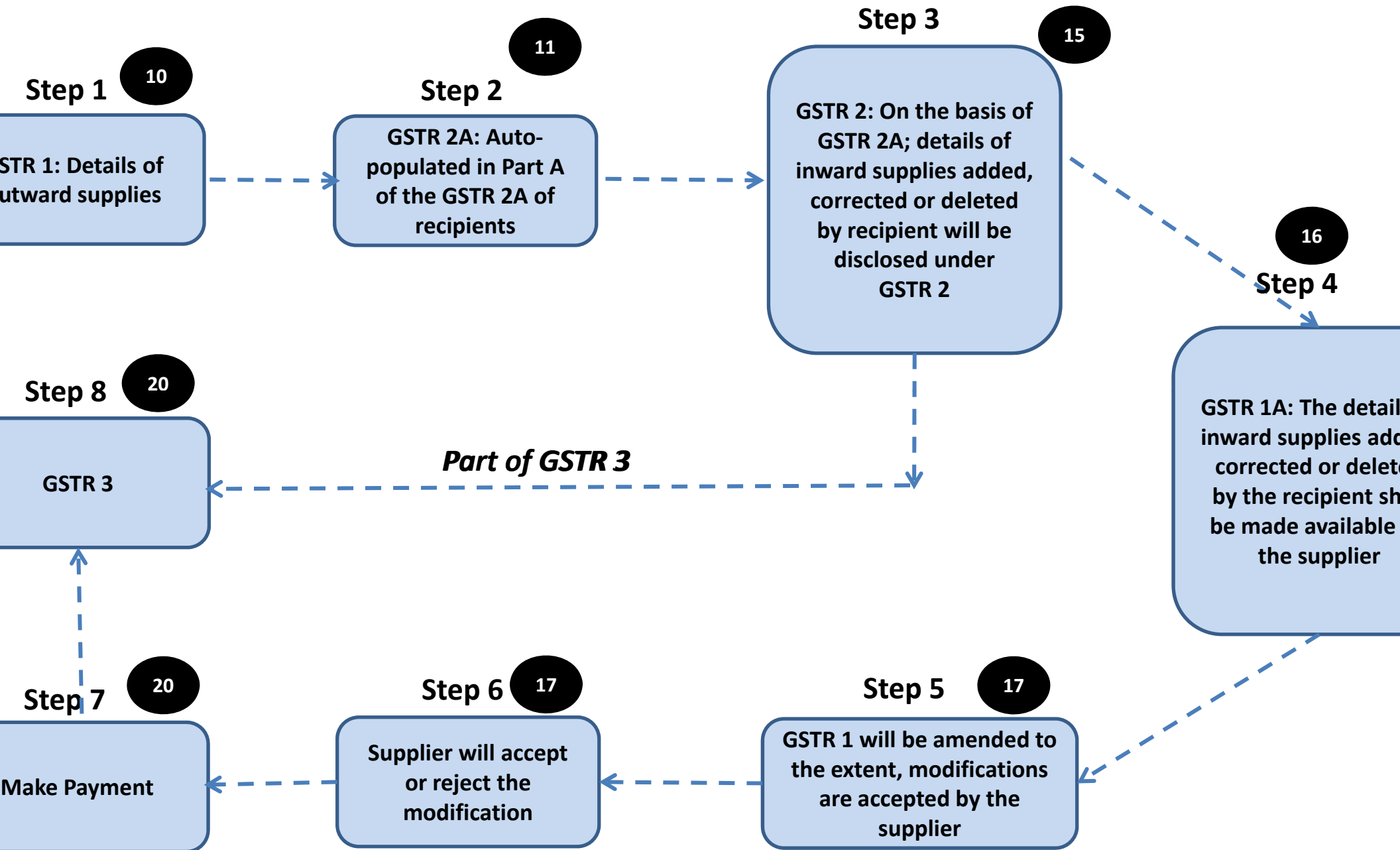
Monthly Return – Components (2/2)

Information about ITC ledger, Cash ledger and Liability ledger – auto populated

Payment of tax, penalty, fees under various tax heads , - auto populated from the debit entry in Credit/Cash ledger

Form will display all bank A/c and taxpayer can select one for credit of refund

Quantitative details not reported in GSTR-3 but reported in Annual return



Other Returns

First return (GSTR-10)

Transaction to be reported	Consideration involved
Outward supplies	From date of liability to register till the date when registration is granted

Annual return (GSTR-9 / 9A)

- ✓ Filed by 31st December
- ✓ ISD, TDS deductor, casual taxable person and Non resident not liable
- ✓ If turnover exceeds Rs. 2 crore, attach annual audited accounts and Reco. Statement GSTR-9B
- ✓ Late fee – Rs. 100/ day (max. 0.25% of turnover)

Other Returns

TDS return – Filed by 10th in GSTR- 7

ISD return – Filed by the 13th in GSTR-6

Final return (GSTR 10)

- ✓ Three months of date of cancellation or date of cancellation order, whichever is later
- ✓ Details of closing balance - stock, input services, cap. Goods.
- ✓ Tax payable on closing stock – Higher of ITC availed or closing stock

Returns Applicability

Regular registered person*

- GSTR – 1
- GSTR – 2
- GSTR – 3
- GSTR – 9

*Multiple registrations – Multiple returns

Composition

- GSTR – 4
- GSTR – 9

Casual Taxable/ NR person

- GSTR - 5

ISD

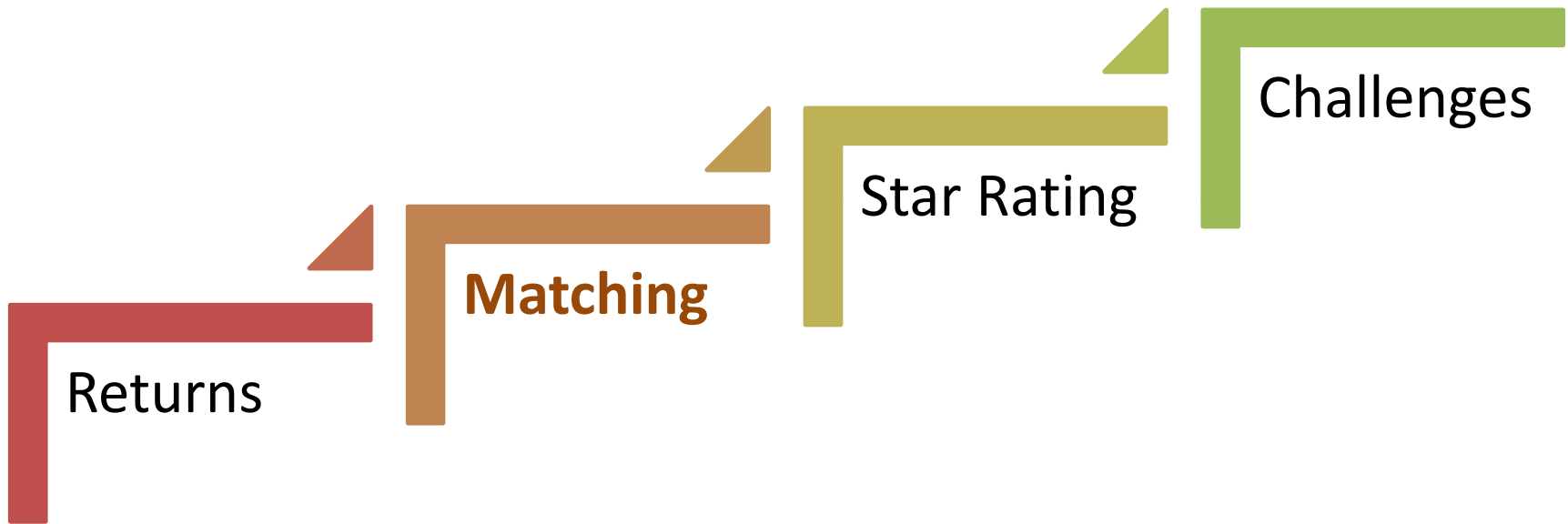
- GSTR - 6

Return Forms (1/2)

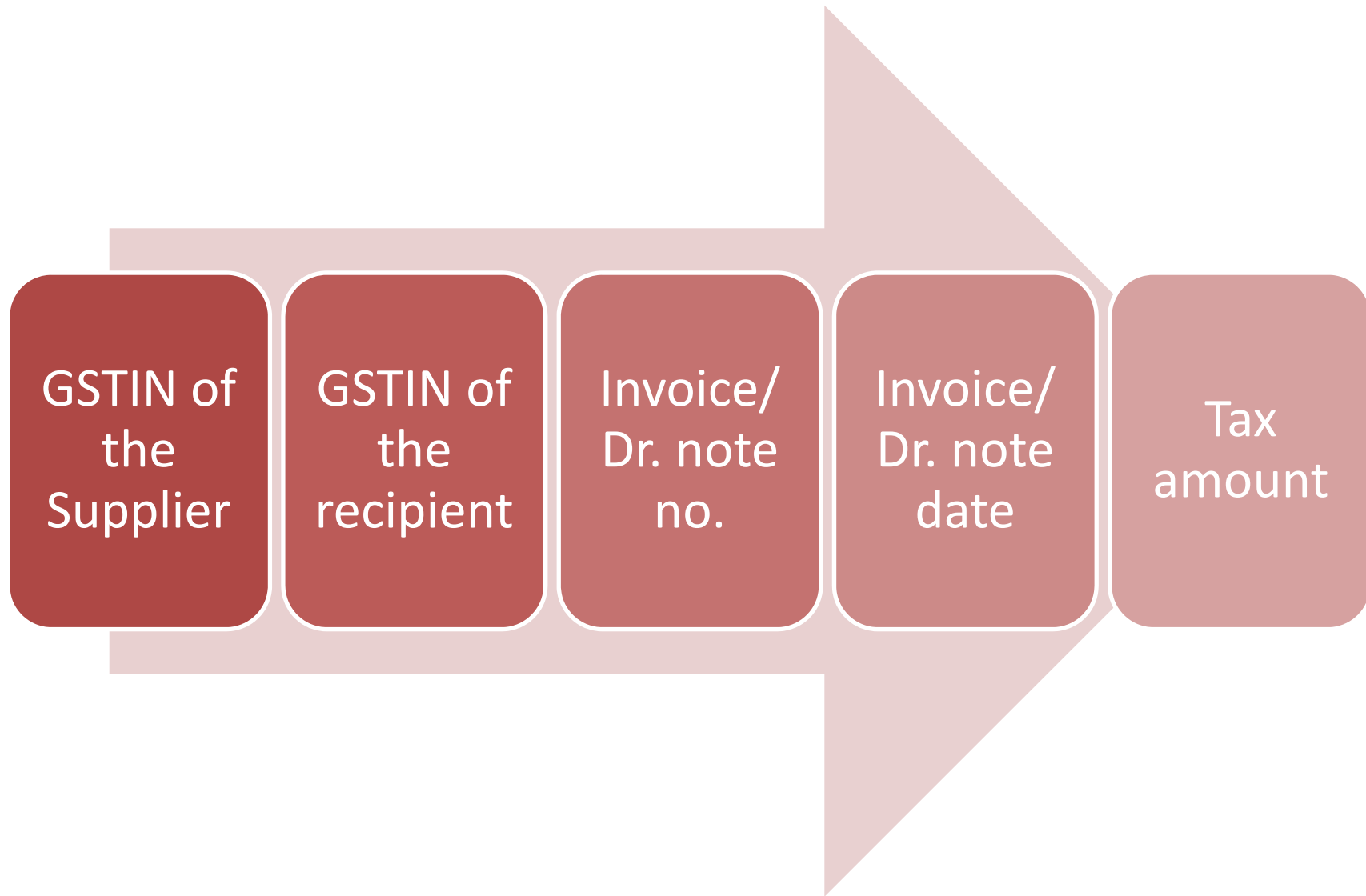
Form No.	Content	Due Date
GSTR – 1	Outward Supplies	10 th of following month
GSTR – 1A	Outward Supplies as added, corrected or deleted by recipient	Made available after submission by recipient in GSTR- 2 or GSTR-4
GSTR – 2	Inward Supplies	15 th of following month
GSTR – 2A	Inward Supplies made available to recipient	Made available after due date of GSTR-1 filed by supplier <i>Part B – ISD details</i> <i>Part C – TDS deducted</i> <i>Part D – TCS (E-commerce operator)</i>
GSTR – 3	Final Monthly return	20 th of following month
GSTR – 3A	Notice to defaulter	After due date of filing return
GSTR – 4	Compounding dealer	18th following the quarter
GSTR – 4A	Inward supplies made available to recipient under composition	Made available after submission by supplier in GSTR-1

Return Forms (2/2)

Form No.	Content	Due Date
GSTR – 5	Non-resident foreign taxable person	20th of next month/quarter or 7 days from the date of completion of registration period, whichever is earlier
GSTR – 6A	Inward Supplies made available to ISD recipient	Made available after submission by supplier in GSTR-1
GSTR – 7	TDS Return	10 th of following month by Deductor of TDS

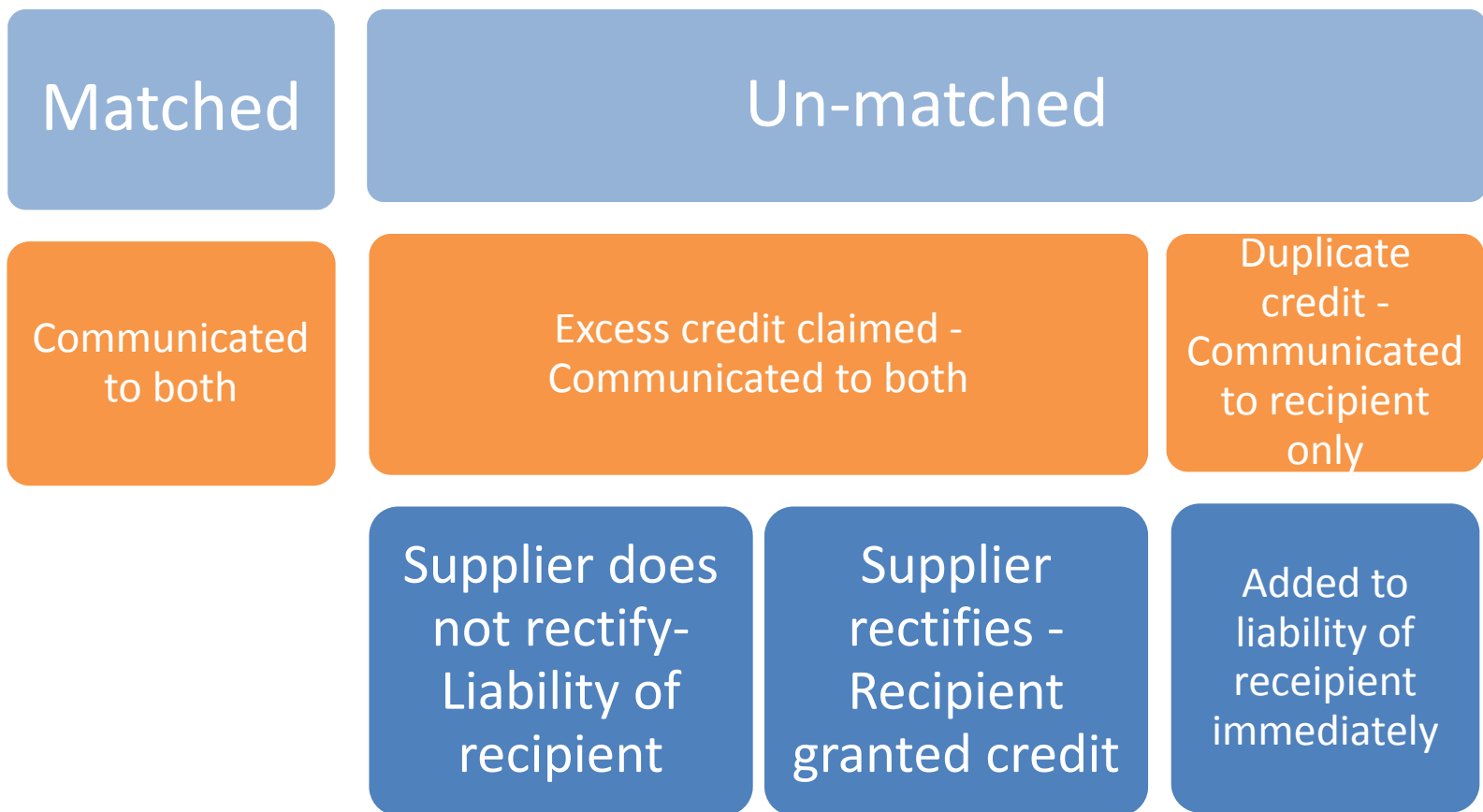


Matching, Reversal and Reclaim (1/3)



Matching, Reversal and Reclaim (2/3)

Inward - Outward return matching



Matching, Reversal and Reclaim (3/3)

Credit note matching

Match

Not match with ITC reversal by recipient

Communicated to both

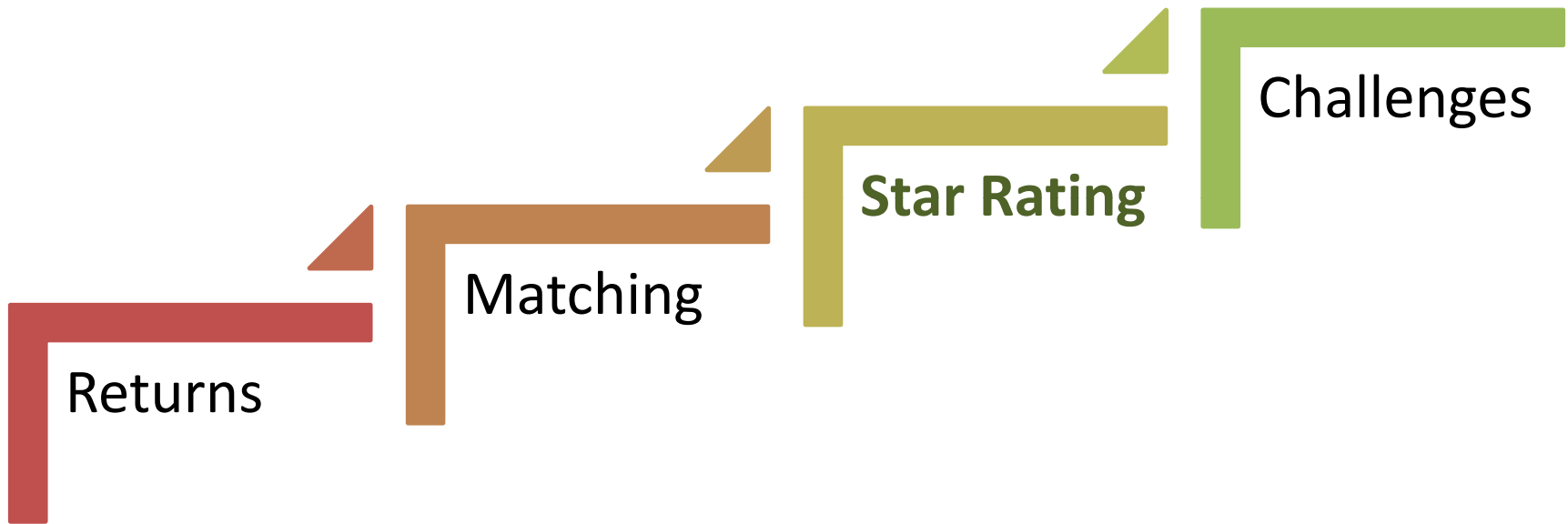
Mismatched credit note
Communicated to both

Duplicate credit note
Communicated to supplier only

Recipient does not rectify -
Liability of supplier

Recipient rectifies -
Reduced from suppliers liability

Added to liability of supplier immediately



Star Rating

Dynamic compliance rating - Scale of 1 to 10

Determined according to the level of compliance of registered person

Criteria yet to be determined. Possible factors:

- Timely uploading of invoices
- Quantum of mismatches
- Timely filing of returns
- Prompt payments
- Co-operation with tax authorities

Low GST rating will result in loss of credit

Refunds would also be impacted

Technological Edge

9344124 | 23rd March 2017 | KanTech Solutions

 COMMENTS

 DELETE INVOICE

Save

Uploaded

Invoice Type B2B  Amended Invoice Amount Rs 10,44,000

My GSTIN 33BBBCC09


Supplier Name
KanTech Solutions

Invoice ID
CLR0000619

Invoice Date
12/02/2017

Supplier GSTIN
AA000A1Z5

Place of Supply
Karnataka - KA 

Amended Invoice ID
CLR0000619 

Amended Invoice Date
12/02/2017

Item Details				Qty	Value	Discount	Taxable Value	Tax	
Description	Type	HSN/SAC	Unit Price					CGST	SGST
Malaya Face Cream	G	3451.11.12	32	10,000	3,20,000	30,000	2,90,000	11% (39,700)	9% (26,100)
Malaya Face Cream	G	3451.11.12	32	10,000	3,20,000	30,000	2,90,000	11% (39,700)	9% (26,100)
Malaya Face Cream	G	3451.11.12	32	10,000	3,20,000	30,000	2,90,000	11% (39,700)	9% (26,100)
TOTALS					Total Value 6,60,000	Total Discount 60,000	Total Taxable Value 5,70,000	Total CGST 95,700	Total SGST 78,300

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Business realities will make manual reconciliation difficult

$$\mathbf{x \ 100 \ x \ 10 \ x \ 4 \ = \ 1,20,000}$$

INVOICES
EACH

Line
items

Things
to be
checke

ENTRIES PER MONTH
TO BE MATCHED



Accept/reject each invoice

d



Multi-state vendor communication



Tele-calling for vendor follow-ups



Closure

Upload

<p>Advance Payment suggestion Reduce Tax liability by linking 6 Invoices to payments filed earlier.</p> <p>6 Invoices</p>	<p>Reverse charge ✓ 15 Invoices with items under reverse charge do not have reverse charge applied. Verify Now</p> <p>15 invoices</p> <p>VERIFY NOW</p>	<p>Place of supply 12 Invoices got Place of supply different from Customer's Billing or Shipping State.</p> <p>12 invoices</p> <p>VERIFY NOW</p>	<p>Amendment validation 5 Invoices have been modified after they were accepted by buyer. These can not be filed as amendments so please change to Credit Debit Note.</p> <p>5 invoices</p> <p>CHANGE NOW</p>	<p>B2B amendment 8 Invoices which were not reconciled and not reconciled classified as B2B a</p>
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Invoice type ▼	Match type ▼	Filing filter ▼						Item view <input checked="" type="checkbox"/>
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Total Transactions	Total Matches	Total Unmatches	Total IGST	Total SGST	Total CGST	Total Value
12,432	4,856	7,576	Rs. 20,45,000	Rs. 20,45,000	Rs. 20,45,000	Rs. 20,45,000

INVOICE ID ▼	VENDOR ▼	GSTIN ▼	DATE ▼	TAXABLE AMT ▼	TOTAL TAX ▼	TOTAL AMT ▼	STATUS
CLR00456	Prabavati Traders Private Limited	KS34778PQ223	23/10/2016	1,23,68,000.56	23,445.89	1,22,487.45	Upload
CLR00456	Kantech Solutions Private Limited	KS34778PQ223	23/10/2016	1,23,68,000.56	23,445.89	1,22,487.45	Unload

Purchase Reconciliation

Matching Invoices

Total Invoices	Matching %	No of Vendors	
25,000	82%	25	You can accept all the matching invoices at once
SEE INVOICE DETAILS			ACCEPT ALL

Mismatching Invoices

Total Invoices	Matching %	No of Vendors	
2,500	10%	3	
2,100 Invoices have minor rounding errors These invoices have a difference in tax value less than ₹5. We recommend accepting the counter party value. ACCEPT VENDOR'S VALUE			
Or you can manually verify these as well VERIFY MANUALLY			
240 Invoices have different serial numbers Everything except the serial numbers are matching in these invoices. Most likely a data entry issue. VERIFY DOWNLOAD REPORT			

Reconciliation - Validation step

System intelligently groups matching and mismatching invoices which makes it easy to reconcile

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Courtesy -

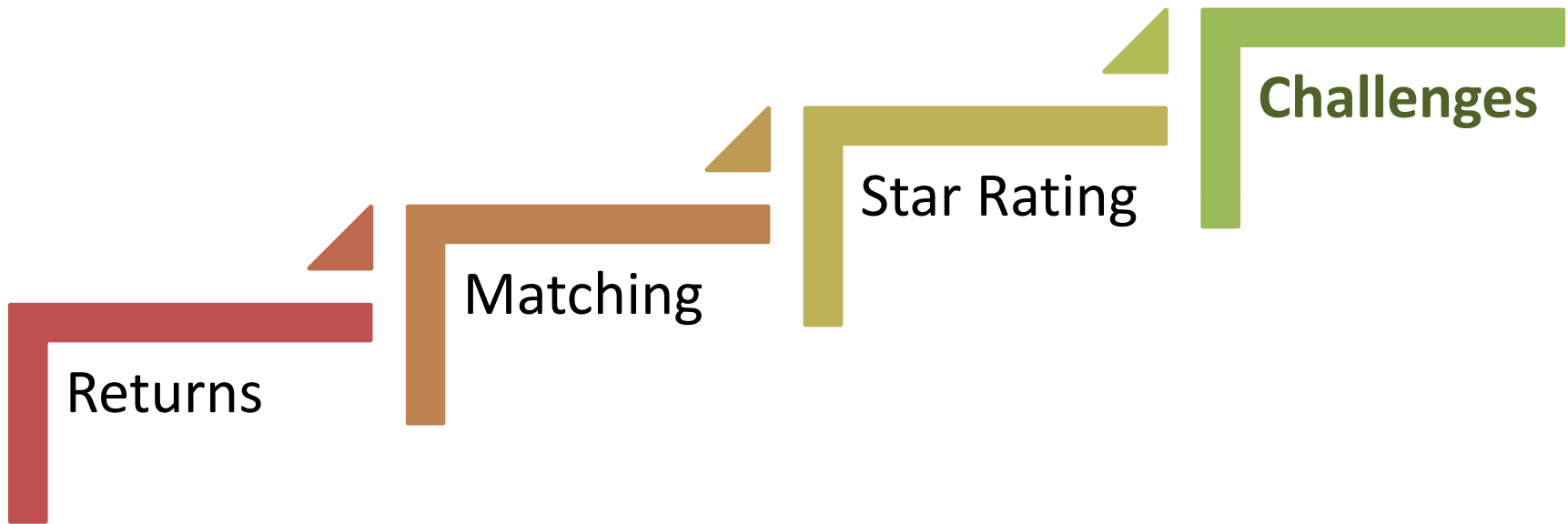
Invoice No.	CLR-0009	GSTIN	KA345PQ35	Place of supply	Bangalore Mangalore <input type="button" value="↑"/>	Invoice Date	23/05/2017
Total Taxable Value	Rs. 45,000.00 Rs. 46,000.00 <input type="button" value="↑"/>	Total CGST	Rs. 89,433.67	Total SGST	Rs. 44,211.45 Rs. 44,322.67 <input type="button" value="↑"/>	Total Value	Rs. 99,455.67

Line Items

Sl. No.	Item Description	HSN.	Qty.	Rate/Item	Discount	Taxable Val.	SGST	CGST	Total
	Dove soap 100x3 gms	111.45.67	2	23,456	24,333.23	1,500.67	23,455.90	13,456.23	45,676.34
	Dove soap 100x3 gms	111.45.67	2	22,455 <input type="button" value="↑"/>	23,333.23 <input type="button" value="↑"/>	1,500.67	23,455.90	13,456.23	45,676.34
	Dove soap 100x3 gms	111.45.67	2	23,456	24,333.23	1,500.67	23,455.90	13,456.23	45,676.34
	Dove soap 100x3 gms	111.45.67	2	22,455 <input type="button" value="↑"/>	23,333.23 <input type="button" value="↑"/>	1,500.67	23,455.90	13,456.23	45,676.34
	Dove soap 100x3 gms	111.45.67	2	23,456	24,333.23	1,500.67	23,455.90	13,456.23	45,676.34
	Dove soap 100x3 gms	111.45.67	2	22,455 <input type="button" value="↑"/>	23,333.23 <input type="button" value="↑"/>	1,500.67	23,455.90	13,456.23	45,676.34

SHOW MATCHED LINE ITEMS

There are 15 mismatches remaining in this invoice



GST Practitioner [Sec. 48]

Eligibility 1

- Solvent Citizen of India of sound mind
- Not convicted to Imprisonment more than 2 years

Eligibility 2

- Retired officer of commercial tax department/ CBEC/ DoR
- Graduate/ PG in commerce, law, banking, business administration
- Degree from foreign university recognised by Indian university as equivalent to above
- Degree exam as above and CA/ CWA/ CS

Application in Form GST PCT-1

Registration in Form GST PCT-2 after necessary enquiry

GST Practitioner (2/2)

List of practitioners on Portal – GST PCT - 5

Consent to be obtained from registered person in Form GST PCT-6

Consent can be withdrawn – Form GST PCT-7

Authorised to:

- Furnish details of O/w and I/w supplies
- Monthly, quarterly, annual or final return
- Make deposit for credit to Electronic Cash ledger
- File refund claim
- Application for amendment/ cancellation of registration

Statement filed by GST practitioner confirmed by registered person

Accounts & Records [Section 35]

Assessee keep and maintain true & correct accounts at **principal place of business**

- production or manufacture of goods;
- inward or outward supply of goods and/or services;
- stock of goods;
- input tax credit availed;
- output tax payable and paid.

To be maintained at each location. Relaxation obtained from Commissioner

Separate record for each activity – mfg, trading, services, etc.

Registered taxable person –preserve books of accounts and other prescribed records –

- **72 months** from the due date of filing Annual return for the year pertaining to such records/ 1 year post appeal disposal

Challenges in Implementation

Uniformity

Increase in Compliance cost for business

Multiplicity of taxes/ Seamless credit

Efficacy of GSTN (87 lakh assessee/ 3.5 billion invoices)

No specific details relating to tax administration

Various definitional/ Interpretational issues

Classification issues – various rates and same item at various rates

“Supply” despite being neutral requires distinction

Lack of time and adoption of tax technology

Date of Implementation

Precautions

Credits in books must be thoroughly reconciled with returns over a period of time;

Book stocks must be brought in line with the physical stocks. Regular stock taking exercise must be conducted during this phase;

Proper Tax invoices including supplementary invoices, where needed must be received from the vendors

Ineligible and improper credits availed in the books and returns must be timely removed

Goods lying with the job worker/ agents/ other locations - proper documentation with all the details of quantity, value etc

Precautions

Breaking a composite supply into multiple different supplies - For Ex: Combos with aerated drinks in restaurants, Cinema halls;

Merging multiple supplies into a composite supply - For Ex: Vaastu, High Rise Premium to be merged with construction;

Doing away with the policy of raising Mother P.O.s

Reviewing pricing of all related party vendors to avoid disputes in transaction value - Able to establish arms length;

Understanding and mapping place of supply

Precautions

Detailed stock records

- Compile all invoices
- Check HSN code of items
- Classify into various tax rates

Ledgers for deferred credit

Check P&L and map reverse charge transactions

Gearing up with new formats

Decide ERP system readiness

THANK YOU!!

Every ending is just a new beginning

Email - ashish@applegreen.in