



GOOD & SIMPLE TAX

GST AUDIT

08-08-2018

CA Pradeep Modi



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DEOGHAR STUDYGROUP OF CIRC OF ICAI

CA Pradeep Modi

WHAT IS AUDIT ?



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Section 2(13): "Audit" means:

examination of

- records,
- returns and
- other documents maintained or
- furnished by the taxable person

Under this Act or rules made there under or under any other law for the time being in force

To verify, inter alia,

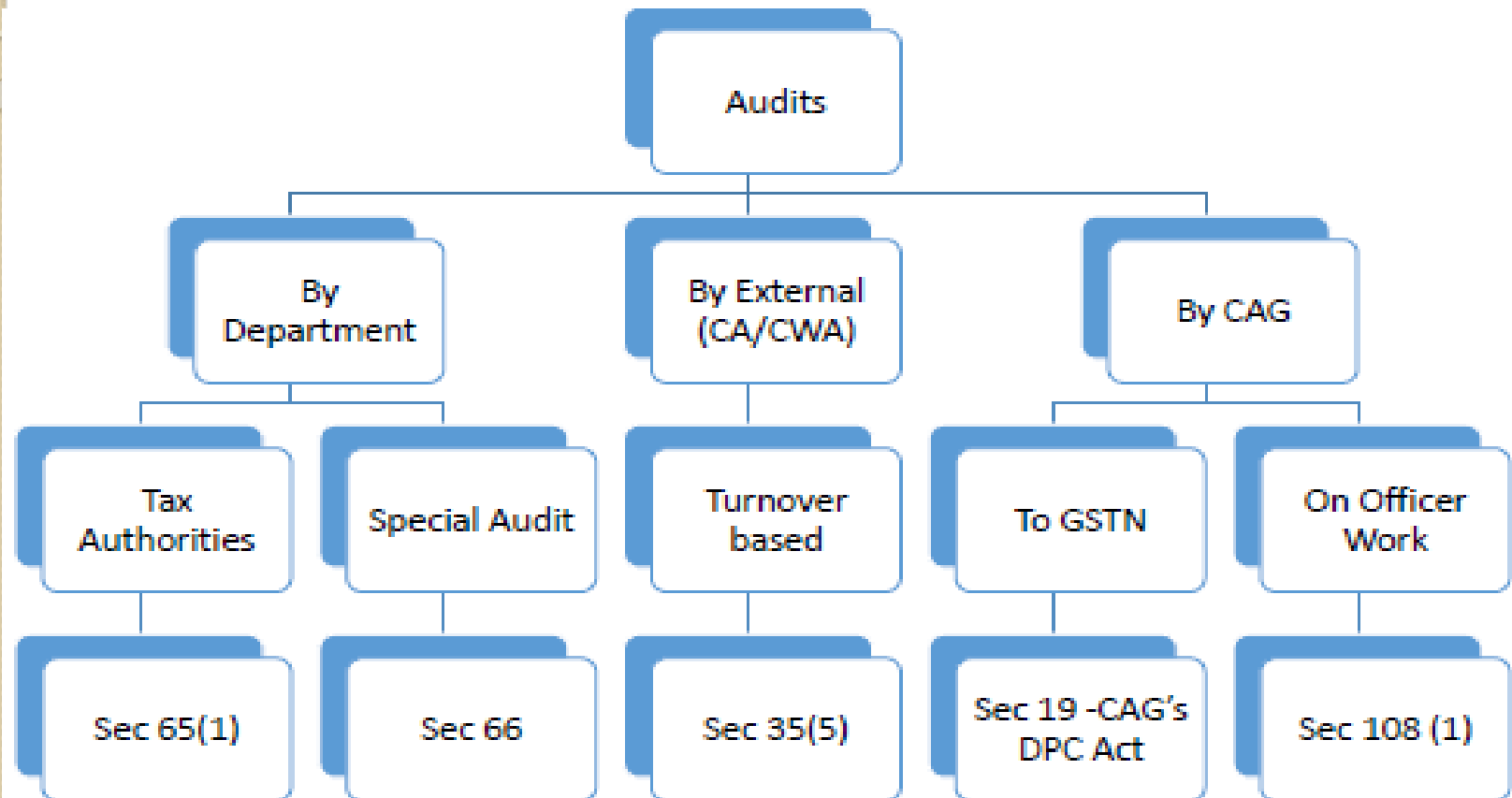
- The correctness of turnover declared,
- Taxes paid,
- Refund claimed and
- Input tax credit availed, and

To assess his compliance with the provisions of this Act or rules made there under

Possible Audits



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Audit in GST- Relevant Legal Provisions



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Section/ RuleS	Act/ Rules	Description
65	CGST	Audit by tax authorities
66	CGST	Special audit
35(5)	CGST	Audit of Accounts by Chartered/ Cost Accountant (Annual Audit)
20	IGST	Application of provisions of CGST Act
21	UTGST	Application of provisions of CGST Act
101	Rules	Audit by Tax Authorities
102	Rules	Special Audit
80(3)	Rules	Annual Return

Need for Audit



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From Govt /Dept perspective

- Assured compliance by tax payer's
- Timely recovery of tax due
- Flow of credit from tax payer to receiver

From Assessee's perspective

- Timely audit avoids future penalties and interest
- Correction in time
- Avoid cost for tax payer by recover proper tax from customers

Relevant Legal Provisions – Sec 35(5) + Rule 80(3)



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- Every **Registered person**
- Whose **aggregate turnover during a FY exceeds the prescribed**
- **limit (INR 2 Crores)**
- shall get his accounts audited
- by a CA or ICWA and

Shall submit

1. a copy of the audited annual accounts,
2. the reconciliation statement under Sec 44(2) in **GSTR-9C** and
3. such other documents in such form and manner as may be prescribed

Relevant Provisions under CGST ACT 2017 and CGST RULE 2017



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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,
- in **FORM GSTR-9C, duly certified,**

electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner

Relevant Legal Provisions – Sec 2(6)



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Aggregate Turnover

“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 [**Includes Non Taxable Supplies ?**]
- Exports of goods or services or both and
- Inter-State supplies [**Inter-State Stock Transfers?**]
 - 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;

2(6) “Aggregate Turnover”



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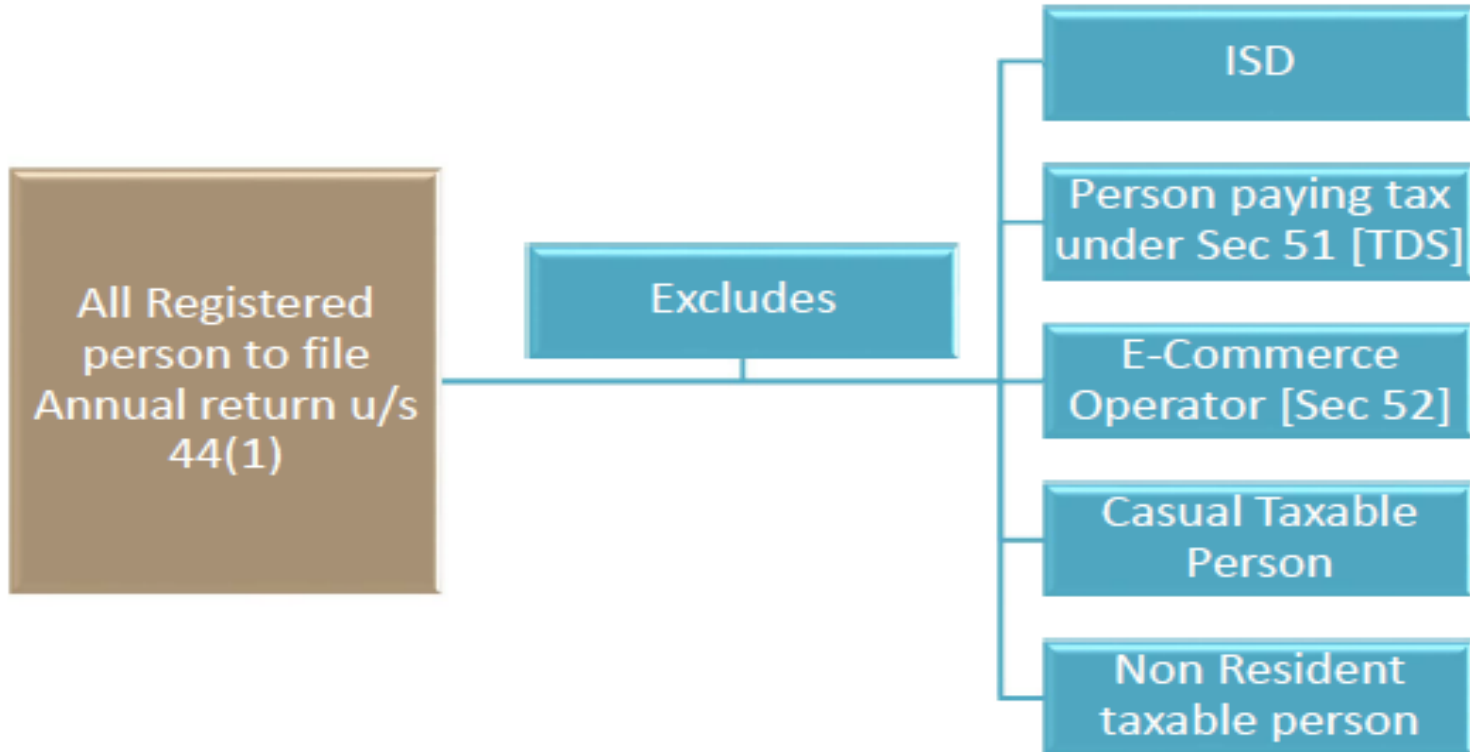
Note:

1. The appointed date for effective implementation of the provisions of the GST laws is 01.07.2017, i.e., from the second quarter of the financial year 2017- 18. Therefore, the very applicability of the threshold limits for audit purposes, whether wholly (Rs.2 Crore) or in proportion, has not been explicitly provided for – Clarification from the Government is awaited.
2. Let's assume, a Company is registered in three different states with same PAN, engaged in making taxable supplies, exempt supply, export and interstate supply. Total turnover of different registration is Rs.2 cr., 50 lakhs and 10 lakhs respectively. Here, aggregate turnover will be computed on all India basis and it shall be computed as Rs.2 cr. 60 Lakhs (viz. 2 cr. + 50 lakhs + 10 lakhs). Thus, in accordance with above mentioned provisions, the company is required to comply with GST Audit in all three states.
3. If registered person majorly affecting exempt supply and having turnover Rs.2.5 cr. (comprising exempt supply of Rs.2.4 cr. and taxable supply Rs.10 lakhs), is also required to comply with GST Audit, eg: school, hospitals etc.

Person Eligible to file Annual Return



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To be Filed on or before the thirty-first day of December following the end of such financial year

Whether Regd Person not Eligible to File Annual Return will be required to get GST Audit u/s 35(5) done ?

Relevant Provisions under CGST ACT 2017 and CGST RULE 2017



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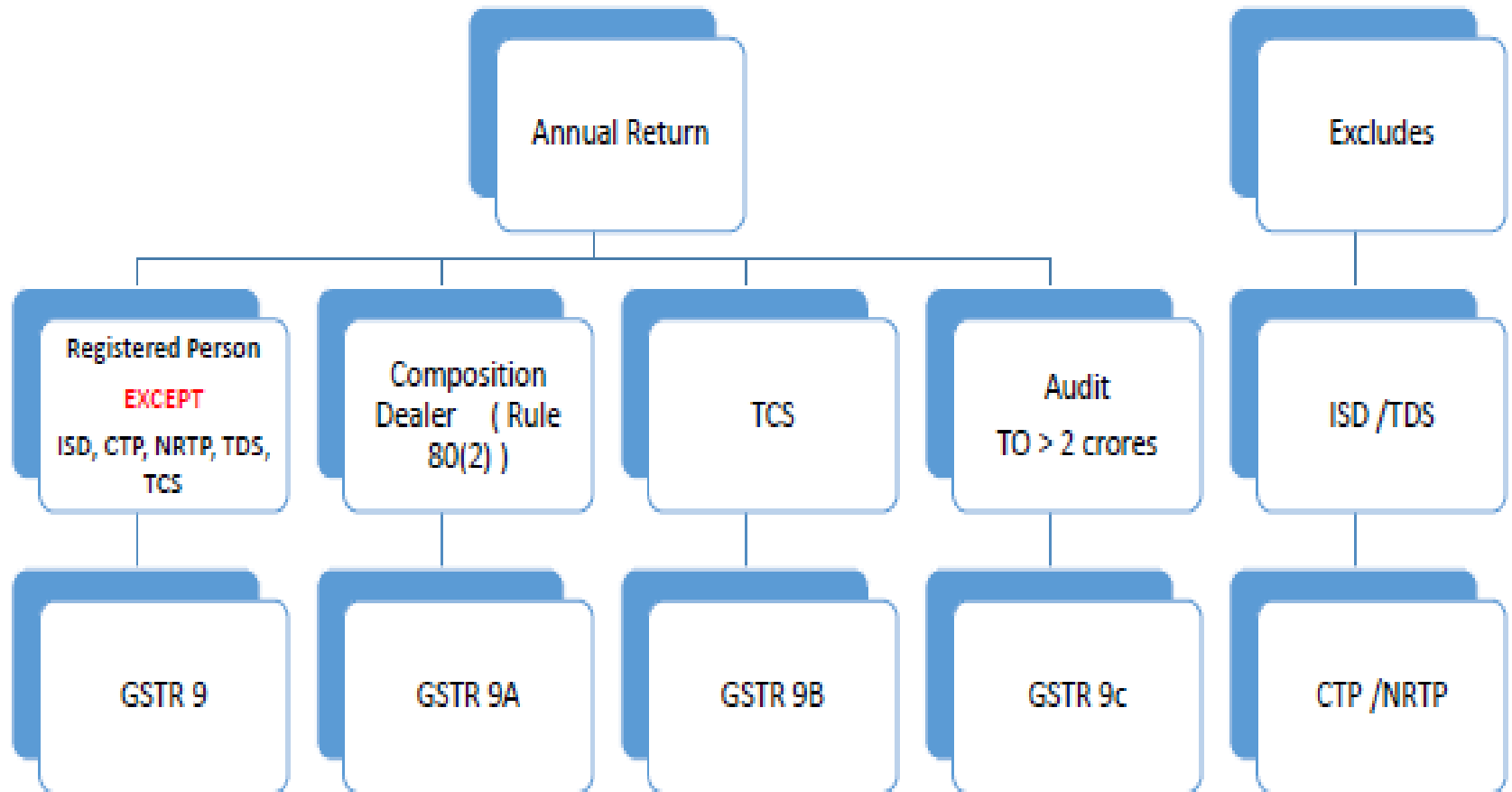
Section 44(2) : Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically,

- 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.

Annual Return –GSTR- 9ABC



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Annual Audit under GST



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Annual Audit

Reconciliation Statement – GST
Audit Report [GSTR-9C]

GST Audit Form [GSTR-9D]

No Form Notified till date
Draft Forms made by ICAI send to Govt for approval and
Stakeholder consultation

FORM GSTR 9C



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Whether an Audit Report

OR

A Certificate?

Certificate Vs. Report



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Para 2.2 of the ‘Guidance Note on Audit Report and certificates for Special Purpose’ issued by the ICAI notes the difference between the term ‘certificate’ and ‘report’ as under;

- “A **Certificate** is a written confirmation of the accuracy of facts stated there in and does not involve any estimate or the opinion.”;
- “A **Report**, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditor’s opinion thereon”.



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If a Chartered Accountant/ cost Accountant is not satisfied with the audit performed, whether he should make:

Observations

OR

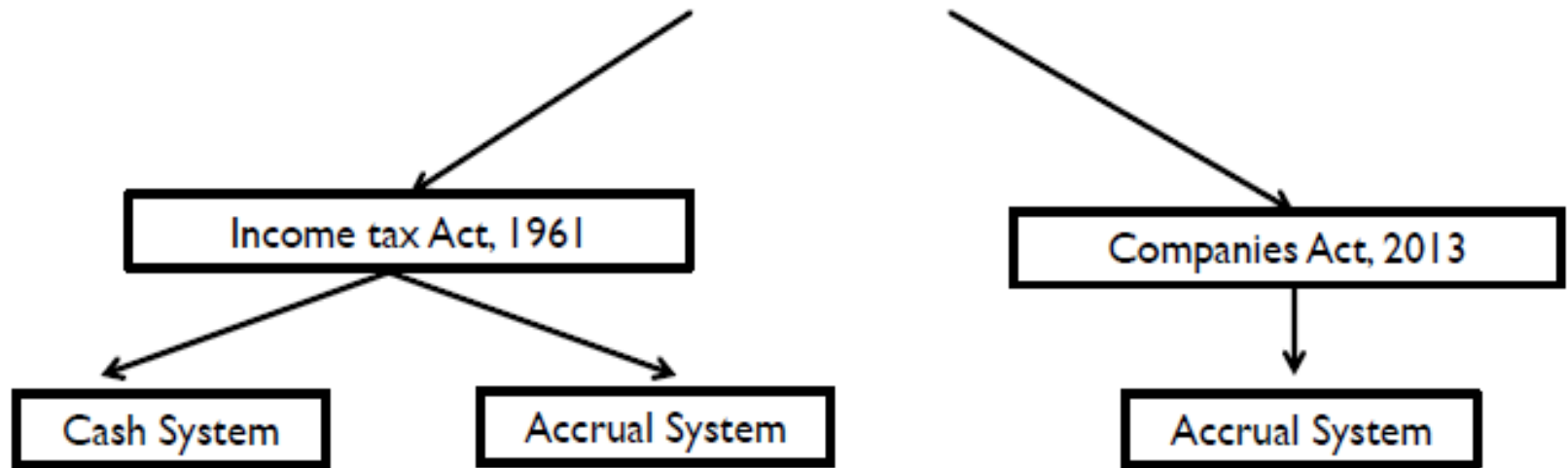
Qualifications

ACCOUNTING METHOD



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- Books of accounts is generally prepared as per-

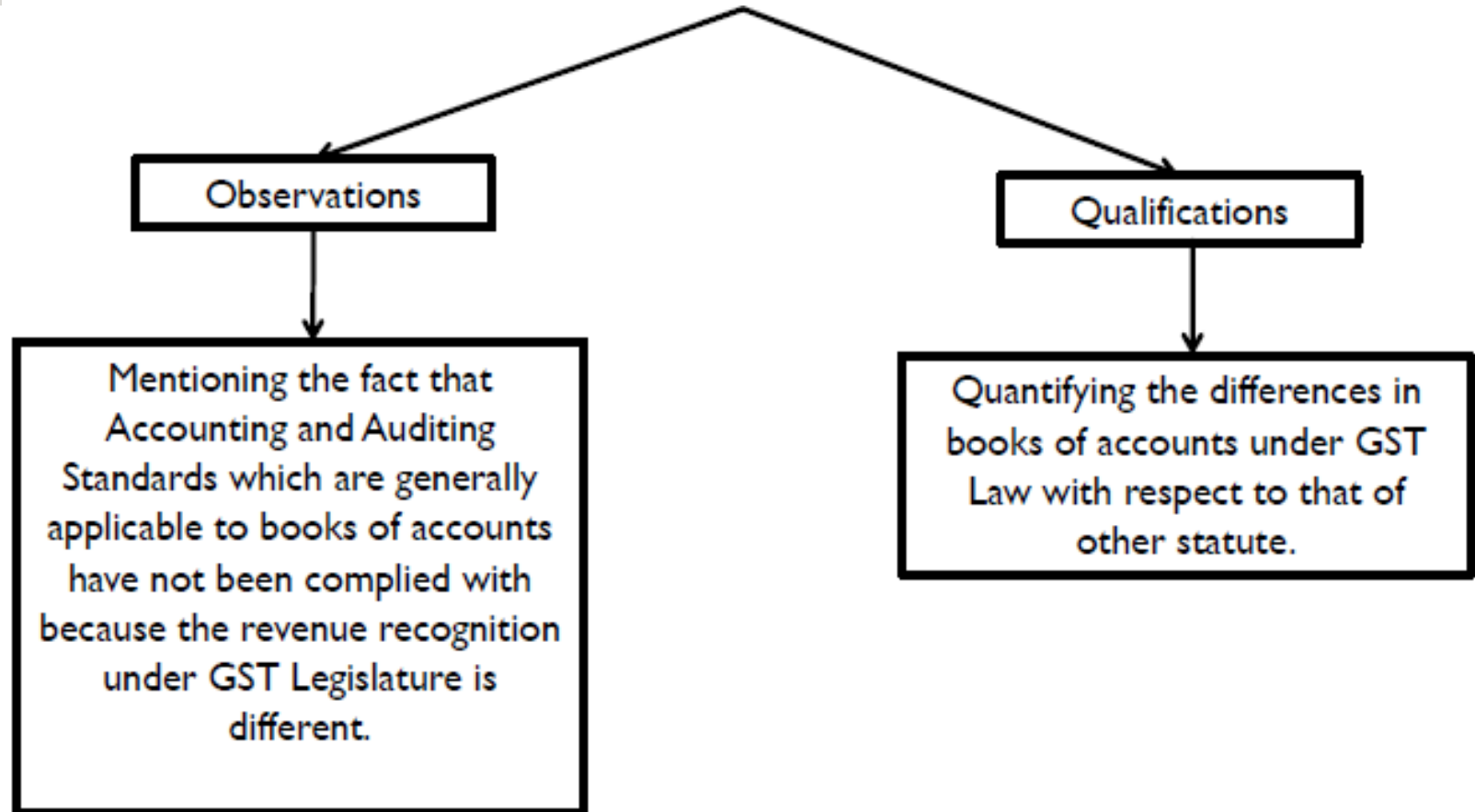


- Therefore, while framing an opinion under GST law, one should be aware of the fact that the statements prepared and returns filed under GST are a mixture of cash and accrual system of accounting.

Therefore, the report should contain



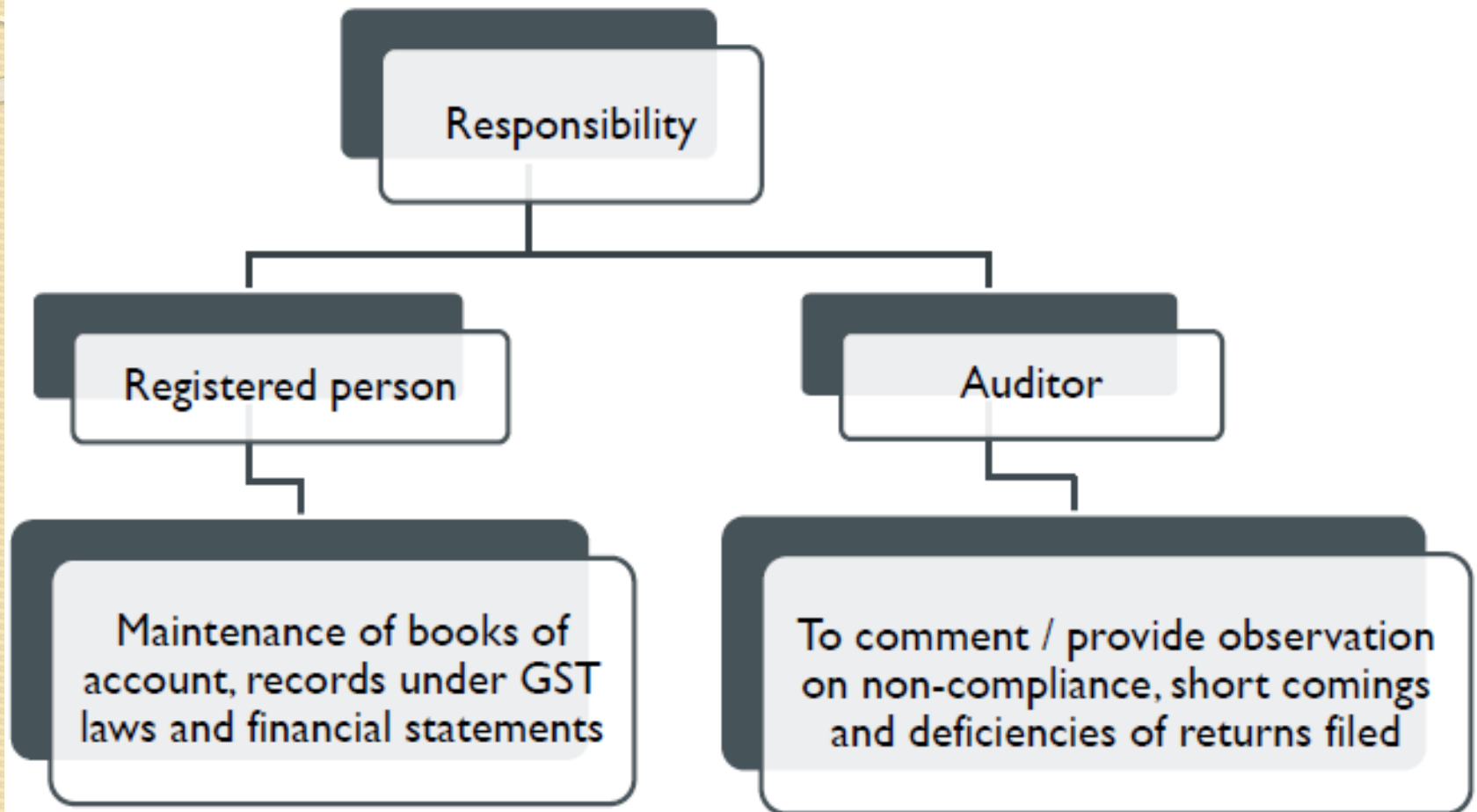
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FORM GSTR 9C – GST AUDIT REPORT



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“Steps to be taken for the GST Audit”



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1. Inform the concerned assessee about the applicability of GST audit;
2. Confirm the eligibility to be the GST auditor under the related legislation and the guidelines issued by ICAI;
3. Understand the nature of business, the products or services, requirements of records to be maintained, and advise the auditee to maintain the accounts and records so required, beforehand;
4. Prepare a questionnaire to understand the operations / activities of the auditee, and specifically develop questions on those issues on which the GST law would have a bearing;
5. Preparation of the detailed audit program and list of records to be verified;
6. Host of relevant reconciliations.

“Auditor to take care of ”



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- Engagement letter with the Auditee
- Representation letter with the management
- Recent updates in the audit
- Proper staff with technical competence
- Continuous evaluation of knowledge
- Proper software
- Discussion on various issues and conclusions there-off

“A Chartered Accountant must bear in mind while doing GST Audit”



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1. Only a member of ICAI having a Certificate of Practice (COP), or a firm of Chartered Accountants can take up the GST Audit.
2. Member in part time practice (including an employee having a COP) is not entitled to perform attest function. (242nd Council Meeting Resolution);
3. Member having substantial interest in an assessee cannot take up its audit. (Clause 4 of Part I of the Second Schedule of the Chartered Accountants Act, 1949 (“the CA Act”) read with Appendix 9 of CA Regulations 1988);
4. Member responsible for writing / maintenance of books of account of an assessee should not take up its audit (Clause (4) of Part I of the Second Schedule to the CA Act);

“A Chartered Accountant must bear in mind while doing GST Audit”



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5. Member not to accept the audit of a person to whom he is indebted for more than Rs. 10,000/- (Chapter X of ICAI Guidelines);
6. Member not to charge professional fees based on a percentage of profit or which are contingent upon the finding or the result of the professional employment. (Clause 10 of part I of the First Schedule to the CA Act);
7. Internal auditor of an assessee cannot be appointed as his tax auditor (281st Council Meeting Resolution).
8. In case of joint audits, all the auditors will have to sign the audit report and should issue separate reports where they have different opinions. (Ref SA 299).
9. Communication with the previous Auditor – Since the GST audit is applicable for the first time (for the financial year 2017-18), the requirement of communication with the previous auditor prior to accepting the engagement (based on the provisions of the CA Act) does not arise.

ACCOUNTS & RECORDS

Sec35 &36 read with Rule56..



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Sec. 35 + Rule 56 &57 :: ACCOUNTS & RECORDS

- Who will be complying
 - Every Registered Person
- What to Maintain
 - Production or Manufacture of Goods
 - Stock of Goods
 - Inward Supplies & Outward Supplies
 - Input tax credit
 - Output tax payable and paid &
 - Other particulars prescribed in Rule 56
- Where to maintain
 - 2(89) Principal Place of Business-mentioned in certificate
 - More than One Place in Certificate then , Accounts relating to each place of business shall be kept at such places of business
- How to Maintain
 - Manual or Electronic
- Penalty for non Maintenance
 - Sec 122(xvi) : ~ INR 10,000/-

Issues in Maintaining Books



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Place of Maintenance

- Head office has all records, Branch and Godowns do not maintain all records.

Method of Keeping

- Different Software within the organisation - { Billing, Inventory, Production, Financial Books }

Partly

- Online / Offline
- Manual / Electronic
- Industry Specific Software vs customised software

Single Books

- All GSTIN's are maintained in one common ERP

Agent :: Rule 56(I I)



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Every Agent shall maintain

a) For

- particulars of **authorisation received by him** from each principal
- details of accounts furnished to **every principal**;

b)Activities

- Details of **goods or services received** on behalf of every principal;
- Details of **goods or services supplied** on behalf of every principal;

c)To Record

- tax paid on **receipts or on supply** of goods or services on behalf of every principal.

Registered Manufacturer :: Rule 56(12)



Manufacturer shall maintain

- monthly production accounts showing
 - quantitative details of raw materials used
 - quantitative details of the manufactured goods (including the waste and by products thereof.)
 - services used in the manufacture and

Registered Service Provider:: Rule 56(13)



Shall
maintain
the
accounts

- Inward details of
- quantitative details of goods used
- details of input services utilized and
- Outward services supplied.

Works Contractor :: Rule 56(14)



Shall maintain

Details of

- Persons on whose behalf the works contract is executed.
- Payment received in respect of each works contract

Details of

- Suppliers from whom he received goods or services.
- Goods or services Received/ Utilized for the execution of works contract.

Rule 58:Transporter : Whether Registered or NOT



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Shall maintain, subject to the provisions of Rule 56

1. Records of goods transported, delivered and goods stored in transit by him
2. GSTIN of the registered consigner and consignee for each of transporters branches
3. 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.
4. Common Warehouse: 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.

Note: If not registered, register on common portal in **FORM GST ENR -01**

Stock Details : Rule 56(2)



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For Goods received and supplied, shall contain particulars of :

- Opening balance,
- Receipt,
- Supply,
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and
- Closing balance of stock

Of Raw materials, finished goods, scrap and wastage thereof

Vouchers to be Maintained :: Rule 56(16)



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Tax Invoice

- Supply of taxable Goods
- Supply of taxable Service

Bill of Supply

- For Supply of exempted goods / services
- Composition supplier

Receipt Voucher

- For receipt of ADVANCE

Refund Voucher

- If advance refunded without supply of service/goods

Revised Invoice

- Newly registered person (>20L)
- For transaction between date of liable to reg. to grant of reg.

Self Invoice – RCM

- URP Purchase
- Exemption: not exceeding 5,000
- Consolidated invoice- Monthly

Payment Vhr. - RCM

- For Payment to URP Vendor

Debit Note

- Upward revision of rate
- No time limit

Credit Note

- Downward revision of rate
- Goods return / deficiency of service
- Time limit

Delivery Challans

- Document for supply
- Other than Supply (repair, JW)

If Books Maintained Manually



1. Each volume of books of account maintained manually shall be **serially numbered**.
2. Any entry in registers, accounts and documents **shall not be erased, effaced or over written**.
3. All in correct entries shall be scored out under **attestation and there after, the correct entry shall be recorded if those are not a clerical nature**.

If Books Maintained Electronically



- 1. LOG:** Where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.
- 2. Authentication**—All the accounts and records may be maintained in electronic form and the records so maintained shall be authenticated by means of a digital signature.
- 3. Place to keep books of accounts** —Accounts and documents are to be kept at every relating to additional place of business mentioned in the certificate of registration.

Electronic Records



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Backup- Proper electronic back-up of records shall be maintained and preserved in such manner that the information can be restored within a reasonable period of time.

Produce Hardcopy on demand-The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hardcopy or in any electronically readable format.

Provide Password for access-Where the accounts and records are stored electronically, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where ever necessary.

Other Points to Note



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- 1.Accounts of Advances** - Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made there to.
- 2.If any documents, registers, or any books of account** belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, such documents, registers or any books of account shall be presumed to be maintained by the said registered person unless it is proved that it is not related to said registered person.

How Long to Keep the Records Sec 36



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Period of Retention of Documents

- 72 months from due date of filing of annual return i.e. 31stDec 20xx
- 6 years and 9 months from end of the year
- Party to Appeal / Revision/other proceeding - 1 year after the Final disposal or period specified above, which ever is later.

Annual Audit – Focus Areas



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Classification

- Old Rates & New Rates

Input Credit

- Ineligible
- Credit Reversals-CG& Others

Reconciliation

- Books of Accounts & Returns

Valuations

- Deductions Admissible
- Value Enhanced-Differential Taxes

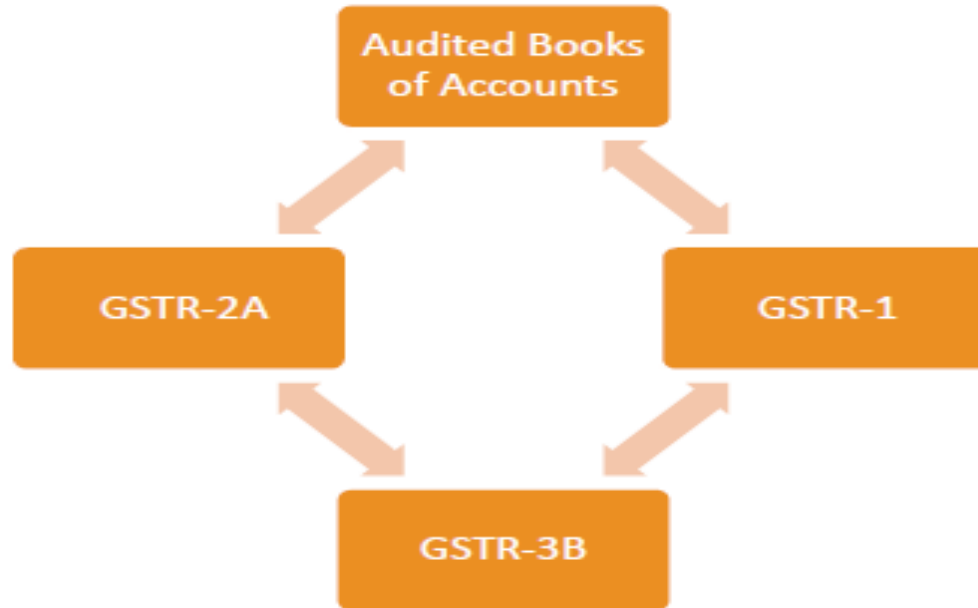
Frequent changes

- Notification/ Circulars in GST to be Monitored

Reconciliation



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Reconciliation Statements

- Between Monthly Return Vs Annual Return
- Annual Return Vs Audited Financials
- Monthly Returns Vs Audited Financials



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Details of Outward Supplies	Relevant Table in GSTR-1	Relevant Table in GSTR-3B	Explanation in relation to GSTR-1
Taxable Supplies (Sale, Transfer, Barter, Exchange, License, Rental, Lease, Disposal Etc.)	4A, 4B, 4C, 6B, 6C	3.1	B2B Invoices - Details of invoices of Taxable supplies made to other registered taxpayers
Taxable Supplies (Sale, Transfer, Barter, Exchange, License, Rental, Lease, Disposal Etc.)	5A, 5B	3.1	B2C (Large) Invoices -Invoices for Taxable outward supplies to consumers where: a) The place of supply is outside the state where the supplier is registered and b) The total invoice value is more that Rs 2,50,000
Taxable Supplies (Sale, Transfer, Barter, Exchange, License, Rental, Lease, Disposal Etc.)	7	3.1	B2C (Small) Invoices -Supplies made to consumers and unregistered persons of the following nature: a) Intra-State: any value b) Inter-State: Invoice value Rs 2.5 lakh or less
Exports	6A	3.1 <small>CA Abul Kumar Gupta</small>	Exports supplies including supplies to SEZ/SEZ Developer or deemed exports



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Details of Exempt/ Nil - Rated Supplies	Relevant Table in GSTR-1	Relevant Table in GSTR-3B	Explanation in relation to GSTR-1
Exempt/ Nil - Rated Supplies	8A, 8B, 8C, 8D	3.1	Details of Nil Rated, Exempted and Non-GST Supplies made during the tax period

3B Filing



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Table 3 : Detail of Outward Supplies and Inward supplies liable to reverse charges

- a) Outward taxable supplies (other than zero rated, nil rated and exempted)
- b) Outward taxable supplies (zero rated)
- c) Other outward supplies, (Nil rated, exempted)
- d) Inward supplies (liable to reverse charge)
- e) Non GST outward supplies

3B Filing –Table 4



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(A) ITC Available (whether in full or part)

- (1) Import of goods
- (2) Import of services
- (3) Inward supplies liable to reverse charge (other than 1 & 2 above)
- (4) Inward supplies from ISD
- (5) All other ITC

(B) ITC Reversed

- (1) As per rules 42 & 43 of CGST Rules
- (2) Others

(C) Net ITC Available (A) –(B)

(D) Ineligible ITC

- (1) As per section 17(5)
- (2) Others

GSTR I Relevant Table



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Table No	Description
4	B2B Invoices including RCM & E-commerce
5	B2CL Supplies to unregistered persons (Inter - state) Large Invoices > 2.5 Lacs
6	Exports , SEZ Supplies and Deemed Exports
7	B2CS (Net of debit and credit notes) other than supplies covered in Table 5
8	Exempt : Nil rated, Exempted and Non GST outward supplies*
9	Amendments in Table 4, 5 and 6 for earlier tax periods
10	Amendments in Table 7 for earlier tax periods
11	Tax Liability (Advances received) & Adjustment of advances

Taxable Outwards Supplies Reconciliation



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3B

- 3.1 (a) Outward taxable supplies (other than zero rated, nil rated and exempted)
- Net of debit and credit notes

GSTR I

- **Table 4 B2B** Invoices
- **Table 5 B2CL** Supplies to unregistered persons (Inter -state) Large Invoices > 2.5 Lacs
- **Table 6C** Deemed Export
- **Table 7 B2CS**(Net of debit and credit notes) other than supplies covered in Table 5
- **Table 9&10 :**
- **Amendments to the above Tables of earlier tax periods**
- Debit and credit notes of B2B
- **Table 11 :** Advances

Sample Reconciliation



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Description	Jul 2017	Aug 2017	Sep 2017	Mar 2018	Total
Domestic Outward Supply - Table 4, 5, 7, 9, 10, 11 in GSTR-1 vs Table 3.1 (a) in GSTR-3B						
Taxable Value (1)	1,16,83,749.00	1,48,57,078.00	1,75,14,756.00		4,55,43,633.93	19,60,06,161.34
Taxable Value (3B)	1,18,38,073.00	1,47,05,510.00	1,75,37,676.00		4,35,08,518.00	19,31,93,771.00
Taxable Value (Diff.)	-1,54,324.00	1,51,568.00	-22,920.00		20,35,115.93	28,12,390.34
IGST (1)	2,04,731.00	3,79,298.00	7,67,348.00		27,77,939.35	84,09,703.16
IGST (3B)	3,40,608.00	3,50,510.00	7,67,361.00		25,63,478.00	82,26,595.00
IGST (Diff.)	-1,35,877.00	28,788.00	-13.00		2,14,461.35	1,83,108.16
CGST (1)	9,13,774.00	11,02,170.00	11,28,093.00		26,27,981.32	1,28,61,834.30
CGST (3B)	8,55,097.00	11,10,782.00	11,52,963.00		26,35,750.00	1,28,87,584.00
CGST (Diff.)	58,677.00	-8,612.00	-24,870.00		-7,768.68	-25,749.70
SGST (1)	9,13,774.00	11,02,170.00	11,28,093.00		26,27,981.32	1,28,61,834.30
SGST (3B)	8,55,097.00	11,10,782.00	11,52,963.00		26,35,750.00	1,28,87,584.00
SGST (Diff.)	58,677.00	-8,612.00	-24,870.00		-7,768.68	-25,749.70
Cess (1)	0.00	0.00	0.00		0.00	0.00
Cess (3B)	0.00	0.00	0.00		0.00	0.00
Cess (Diff.)	0.00	0.00	0.00		0.00	0.00

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Zero Rated Outward Supply- Reconciliation



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- **3B**
- **3.1 (b) Outward taxable supplies (zero rated)**
- **GSTR I Zero rated supplies**
- **Table 6A : Exports**
- **Table 6B : SEZ Supplies**

Exempt Outward Supply - Reconciliation



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3B

- 3.1 (c) Other outward supplies, (Nil rated, exempted)
- 3.1 (e) Non GST outward supplies

GSTR I

- Table 8 : Nil-rated, Exempt, Non-GST Supply

All other ITC



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3B

- 4A(5) :All other ITC
- 4B : Ineligible ITC

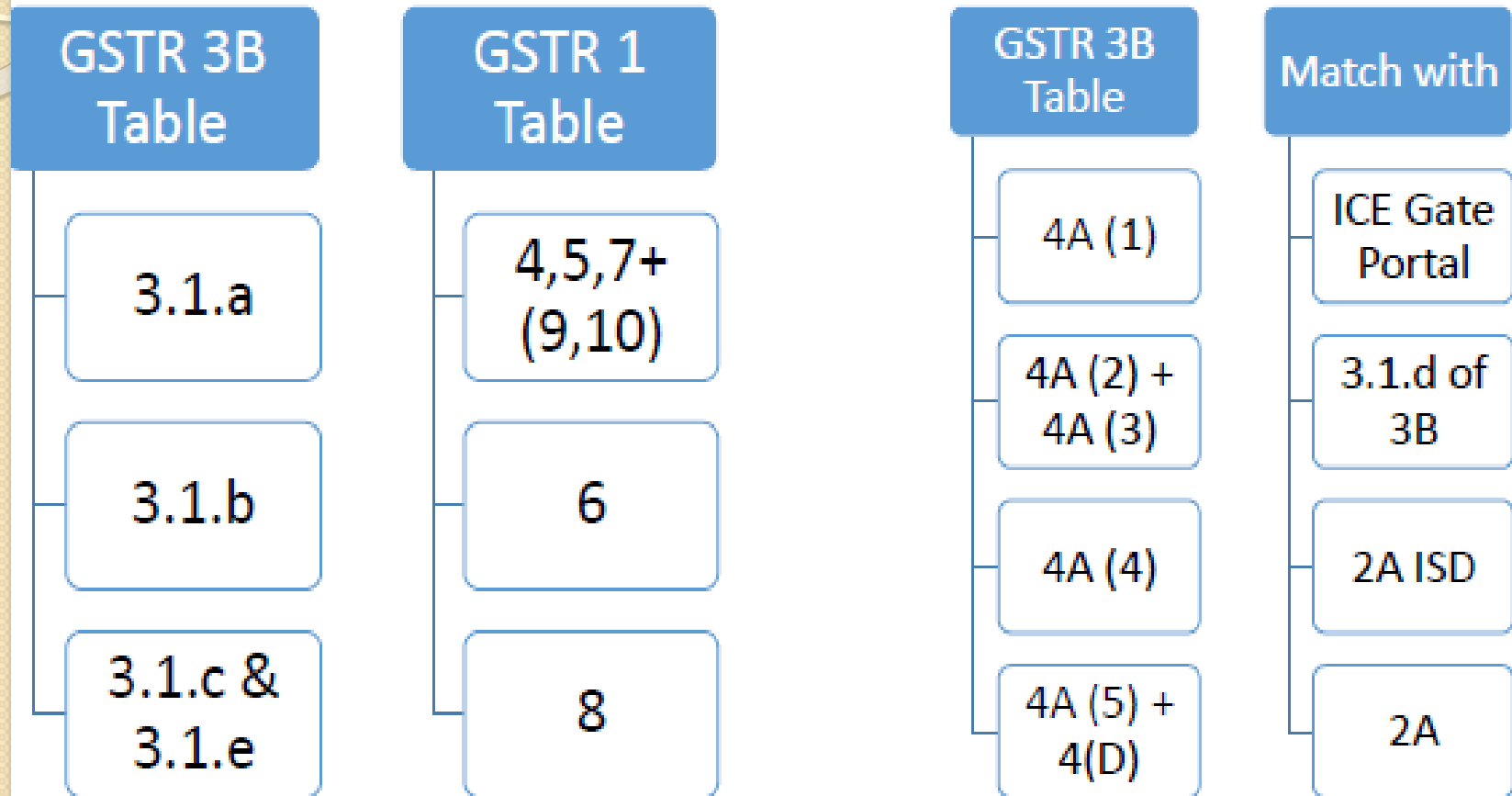
GSTR 2 A : PART A

- Table 3 : Inward supplies received from a registered person other than the supplies attracting reverse charge
- Table 4 : Inward supplies received from a registered person on which tax is to be paid on reverse charge
- Table 5 : Debit / Credit notes (including amendments thereof) received during current tax period

Returns to Match



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Reconciliation of Income with Books



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	Total Credits in statement of profit and loss	XXX
Less:	Not Goods / Not Services - Eg. Dividend Income	(XXX)
Less:	Sch III Items which is not a Supply eg : Land & Building etc	(XXX)
Less:	April 2017 - June 2017 Supplies	(XXX)
Less:	Receipts Not in the Course of Business	(XXX)
Add:	Sch I Supplies like Branch Transfer not in books, but supply as per GST Law	XXX
Add:	Receipts capitalized but taxable to GST	XXX
Less :	Profit on Sale of Capital Goods	(XXX)
Add :	Taxable Value of Supply of Capital Goods	XXX
Add:	Advance received during the Current Period [<i>if liable to GST as per TOS</i>]	XXX
Less:	Advance of earlier period adjusted during the Current period	(XXX)
Less:	Closing Unbilled revenue recognised - But Time of Supply did not arise	(XXX)
Add:	Opening unbilled revenue (Billed during the period/Time of supply falls in the month)	XXX
	Total Value in GSTR 1	XXX

Reconciliation of Expenses with Books & GSTR-2A



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	Total debits in statement of profit and loss	XXX
Less:	Schedule III items (Ex: Salary expense)	(XXX)
Less:	Depreciation and Amortization	(XXX)
Less:	Accrued expenses and month end provisions, not credited to party account	(XXX)
Add:	Invoices recd and adjusted for Expenses provision made earlier	XXX
Add:	Capital Expenses	XXX
Add:	Advance paid to unregistered dealers -Expenses Not Booked	XXX
Less:	Purchases booked for URD Advances paid in earlier periods	(XXX)
	Total Taxable value in GSTR 2	XXX

Reconciliation - Miscellaneous



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- **Taxes** - Tax Payable, Tax Paid, Interest, Late penalty etc
- **Refunds** - Claimed, Sanctioned, Rejected , Under Process
- **Ineligible ITC**
- **Calculation of ITC Reversal** - on account of Exempted/ Non Business
- **Transactions with Related entities/ Distinct person**

Auditor's Reconciliation statement



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Sl. No.	Particulars	Amount as per Returns(in Rs.)	Amount as per Audit (in Rs)	Difference (in Rs.)
1	2	3	4	5
[A]	Output tax payable (including interest, fee, penalty and other levies) under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[B]	Input Tax Credit eligible claimed under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			

Auditor's Reconciliation statement



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Sl. No.	Particulars	Amount as per Returns(in Rs.)	Amount as per Audit (in Rs)	Difference (in Rs.)
1	2	3	4	5
[C]	Input Tax Credit ineligible disclosed under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[D]	Net tax payable under the GST Acts -			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[E]	Any Other Item (Plz Specify)			

INPUT TAX CREDIT



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1. Reconcile your GST Input Tax Credit Claimed with Online GSTR-2A. If the credit claimed does not match with credit available online, for doubtful suppliers, keep pending the GST value until online credit is available.
2. Excess : There may be some purchases and expenses which you have not accounted or ITC Claimed. Account and claim ITC.
3. Shortage : Your supplier may not have paid GST and not filed GST Return. Ask him to pay and file the Return. Even if your supplier filed return, he may not have correctly quoted your GST No. Ask him to correct it in the subsequent months return Before September, 2018, by way of Debit Note in your name by referring the old invoice Number.
4. What happens if not done : IF online credit is not available, then you have to pay the ITC as tax along with 24% interest p.a.
5. Ensure that suppliers properly pay GST and file return. Reconcile and Rectify every month.

INPUT TAX CREDIT



GOOD & SIMPLE TAX

6. Similarly, while filing GSTR-1, we may also have wrongly quoted some of our customers GSTIN. Correct it before September, 2018 by Submitting online Debit note.
7. Any mistake if rectified before 30.09.2018 that will attract only 18% Interest . You can take ITC also. Any mistake if made after 30.09.2018 will attract 24% interest. No ITC Available
8. Supplier Payment not made with 180 days : If payment to supplier is not made within 180 days from the date of bill, then ITC availed on it should be reversed in the monthly return when the 180 days expires (for July bill it is January return). With 18 % interest for 6 months. ITC can be again taken when payment to supplier is made later.

CONDITIONS FOR TAKING ITC BY A REGISTERED PERSON



GOOD & SIMPLE TAX

These 4 conditions are very important because, in case even if one condition is not fulfilled, Credit cannot be claimed, even though it is an eligible Credit.

1. He is in **possession of Invoice/Debit** note/Other taxpaying document
2. He has **received the goods or services** or both
3. The Seller, *(who has collected the tax from buyer)* must have **paid the taxes** to the government.
4. Both supplier and receiver have **furnished GST returns.**

INPUT TAX CREDIT – on expenses



GOOD & SIMPLE TAX

- Bank Charges : ITC on bank charges is available Only with Credit available Online and Bill Issued by Banker. If no bill issued by Banker then ITC cannot be taken. Get monthly bill from bank. Inform your GSTIN to bank through a letter. Confirm online credit and monthly bill.
- ITC on Passenger Vehicle and Building Maintenance expenses : Since, ITC is not available on purchase of passenger vehicle and Building construction. (Should be reversed after 30.09.18 with 24% interest). ITC on repairs and maintenance of passenger vehicle and building maintenance is also doubtful. You can claim at your own risk.
- Reverse ITC on Stock lost/ destroyed. When ever stock is lost, destroyed (fire accident), ITC availed on the purchase has to be reversed to that extent. Insure stock Cost + Tax value so that insurance can be claimed for full value .

INPUT TAX CREDIT



GOOD & SIMPLE TAX

- Canteen and Other recoveries from employees Taxable. 01.07.17 to 17.02.18 12% GST with ITC. From 18.02.2018 5% GST without ITC. For other recoveries 18% GST. For free services without any recovery annual Rs. 5000 is exempted per employee. No ITC available.
- From 01.10.18 Online Credit Only. System will not allow us to feed the ITC based on invoice.
- In the Income Tax Return we estimate some personal expenses in General Expenses, Telephone Expenses, Travelling Expenses. In the monthly return, on the ITC availed on these expenses 5% has to be reversed for personal expenses.
- Single Invoice, But multiple deliveries : A good or fixed asset may be purchased in a single invoice. But taken delivery in multiple delivery. GST invoice should be raised on the first despatch but ITC can be taken only after receipt of the final despatch (when first delivery in one month and final delivery is in another month, then problem arises).

JOB WORKER



GOOD & SIMPLE TAX

- Stock Held with Job worker As on 30.06.2017 : As per the GST Act, stock held with job worker as on 30.06.2017 should have been declared in TRAN-I Form. If Not declared, the subsequent receipt of goods from the job worker will be treated as purchase from unregistered person and GST RCM has to be paid (upto 12.10.17). Now prepared a list of Goods and machinery held with job worker as on 30.06.2017 (Details of job worker and details of goods), with a covering letter submit to the Jurisdictional Assessing Officer (CTO) (by post). Goods held with job worker as on 30.06.2017 should be received within 1 year from 01.07.17. Machinery held with job worker as on 30.06.2017 should be received within 2 years from 01.07.2017. If received lately, that will be treated as purchase.
- Quarterly Return for Job work details is Compulsorily required to be filed : The Form is ITC-04.
- If this form is not filed, then the goods sent will be treated as 'supply' and GST has to be paid. If the goods from 01.07.17 is not received within 6 months, then that will be treated as 'deemed supply' and GST has to be paid. Similarly for Machinery sent. The time limit is 3 years
- Non submissions of quarterly form ITC-04 form for job work movement details.
- Non Declaration of Stock and machinery with Job workers as on 30.06.2017.

CA Pradeep Modi

REVERSE CHARGE METHOD(RCM)



GOOD & SIMPLE TAX

- Self Made Invoice for Reverse Charge Expenses. Every month consolidated self made invoice is required to be prepared in the format for Reverse Charge Paid Expenses. Penalty leviable.
- Registered Persons having turnover below Rs . 20 lacs but to pay RCM: (RCM on goods and services from unregistered persons (URP) from 01.07.17 to 12.10.17). Even if your total turnover is exempt. Even your aggregate turnover is below Rs. 20 lacs, but if you are having a GST Registration, then you have to pay Reverse Charge GST on taxable goods and services from URP.

RCM – ADVANCE PAYMENT



GOOD & SIMPLE TAX

- GST On advances paid to URP : During the period 01.07.17 to 12.10.17 Reverse Charge is there. GST is applicable on Advances received also. Similarly, for advance paid to Unregistered Persons also RCM is payable. Building construction advance, carpenter advance, section advance, Contractor advance. Depending on the nature of work ITC is available or not.

ADVANCE RECEIVED



GOOD & SIMPLE TAX

- GST Is payable on Advances Received :As per the GST Act, GST is payable on the advances received. Advance Receipt in GST format has to be raised. The tax has to be adjusted in the monthly return when final invoice is raised.

RETURN OTHERS



GOOD & SIMPLE TAX

- Tax Paid vs. Return Filed. Even If you paid the Tax. But if you have not filed the return. Then you will be required to paid 18% interest on the full tax till date of filing return.

REGISTRATION AND OTHERS



GOOD & SIMPLE TAX

- Turnover for the Purpose for Registration : Taxable Supplies, exempted supplies, export of goods and services. For Example an Individual is having Rs. 3,00,000 commission receipts (taxable), Rs. 5,00,000 commercial rent (taxable), Rs. 5,00,000 residential rent (exempt), Rs. 5,00,000 agricultural income (exempt) and Rs. 5,00,000. In total Rs. 23,00,000. They we have to register and pay tax on the taxable supplies.

MIGRATION AND OTHERS



GOOD & SIMPLE TAX

- Registered Persons having turnover below Rs . 20 lacs : If a person is already having registration under VAT and migrated to GST. But his aggregate turnover is below Rs.20 lacs. He has to pay tax on the taxable suppliers even if turnover is below Rs. 20 lacs. Every person having GST number is required to pay GST on taxable sales.

VALUATION AND OTHERS



GOOD & SIMPLE TAX

- Compensation from customers : Interest, penal charges, packing charges, transport charges, Reimbursement of Freight from customers in the course of sale of goods are taxable under GST.
- Transactions among Related parties : (Group Concerns, firm to partners, business to relatives) Then these transactions may require valuation for deciding market value. One such risk is that, if a building is owned by one of your firm and the same building is the office for other firms, then your first firm will be required to pay GST on estimated rent. Common goods vehicles, Common work force, Machinery sale to group concern will required market value and notional value for tax.

DEBIT NOTE/CREDIT NOTE



GOOD & SIMPLE TAX

- Sales Return and Purchase Return : Under GST sale return and purchase return (under VAT period and under GST period) has special procedure to be followed. GST Reversal, Debit Note, Credit Note. Any omissions either by you or by your supplier should be corrected in return before 30/09.

SALE OF USED MOTOR VEHICLE



GOOD & SIMPLE TAX

- Tax on sale of Used Motor Vehicles :
Three types of taxes during the year. For vehicles during 01.07.18 to 12.10.2017, at full GST applicable on new vehicle (Example 43% depending on vehicle). For sale from 13.10.17 to 24.01.18, 65% of 43%. For Sales from 25.01.18, 18% on the excess sale value over Income Tax WDV. If the sale value is not above IT WDV, then no GST payable.

ITC REVERSAL



GOOD & SIMPLE TAX

- Assets sold within 5 years from the date of purchase : Any asset purchased on which GST input was taken, if sold within 5 years from the date of purchase, the GST should be reversed/ paid will be higher of tax on the actual sale value or $1/20$ th of ITC taken on purchase, for each remaining period in the 5 years.
- E.g. If an asset was purchase for Rs. 100000. GST ITC taken Rs. 18000. If Sold after completion of 2 years. The remaining period in 5 years is 3 years (12 quarters). If sold for Rs. 30000. The GST reverse/payable on sale will be Maximum of, 18% on 30000 = Rs. 5400 or $18000/20 * 12 = 10800$. Here Rs. 10,800 is the GST Payable.

PLACE OF SUPPLY



GOOD & SIMPLE TAX

- Place of Supply : Place of supply is another important aspect for deciding whether to charge IGST or CGST and SGST. When you sell to a registered person having GSTIN of another state, you have to Charge IGST even if you have delivery the goods to him within TN or delivered the goods to his factory or job worker in TN. Similarly for sale to Unregistered person also if you sell goods quoting his address in another state in your bill, you have to charge IGST even if you have delivery the goods to him on hand on within TN.



GOOD & SIMPLE TAX

Disclaimer: Above is for the education purposes only, and is not intended to be treated or used as legal advice or opinion

THANKS

CA. PRADEEP MODI

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CA Pradeep Modi

Match of the Data among Return Filed



GOOD & SIMPLE TAX

Sl. No.	Description	Point No. in Form - 3B	Point No. in GSTR-I
1	Outward taxable supplies other than zero rated, Nil rated and Exempted	3.1a	4, 5, 7 + 9, 10
2	Zero Rated Supplies	3.1b	6
3	Nil rated and exempted Supplies	3.1c	8
4	Non-GST Outward supplies	3.1e	

Match of the Data among Return Filed



GOOD & SIMPLE TAX

Description	Point No. in Form - 3B	Match with
ITC Available		
- Import of goods	4A(1)	IEC Gate
- Import of Services	4A(2)	3. Id of Form-3B [Inward supplies liable reverse charge]
- Inward Supplies liable to RCM	4A(3)	
- Inward Supplies from ISD	4A(4)	
- All other ITC excluding ineligible	4A(5)	GSTR -2A
Ineligible ITC	4D	