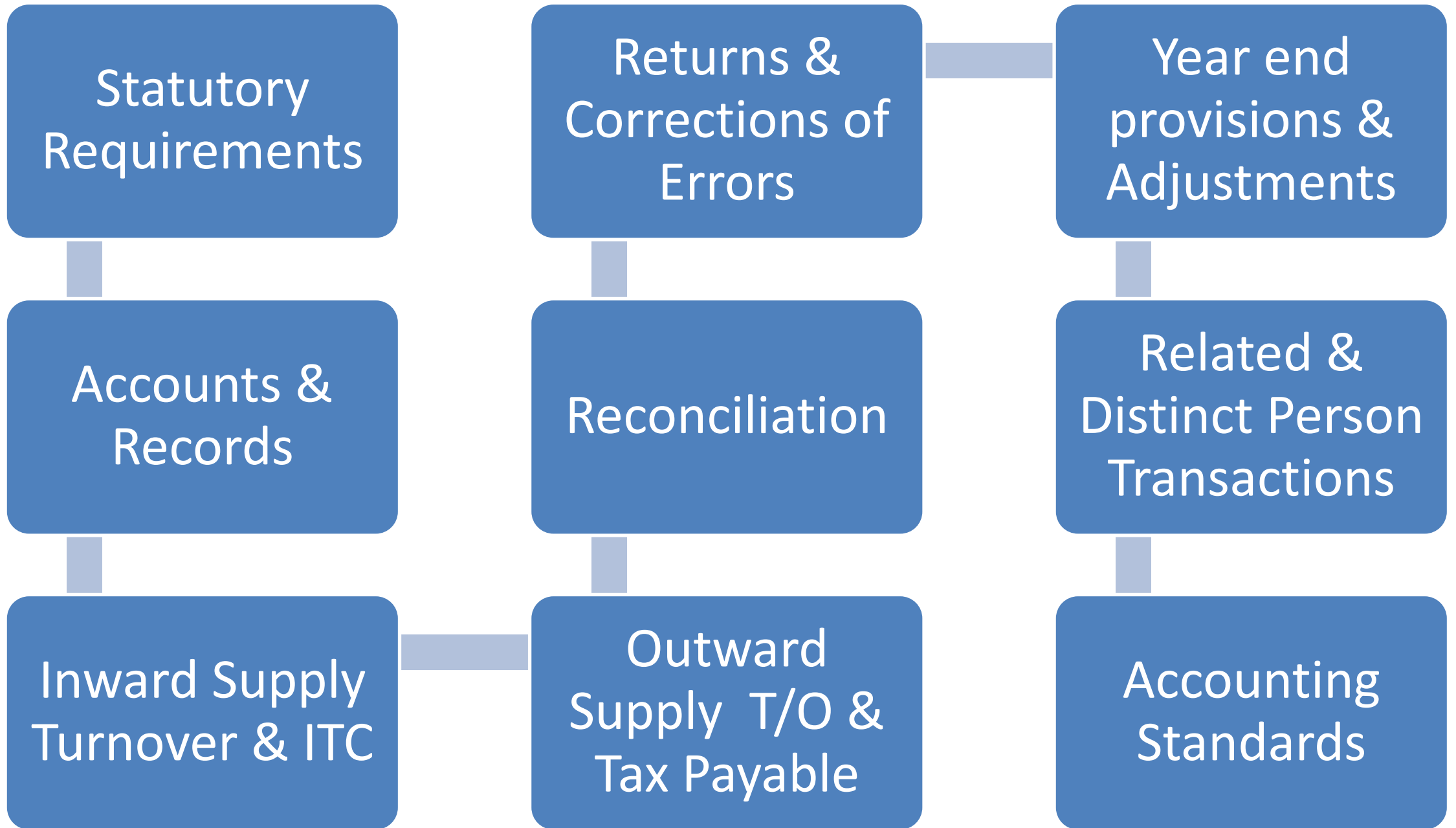


“Issues in Maintenance of Books of Accounts and other records in GST including Eway bill”



DILIP PHADKE

Chartered Accountant



Accounts – Records & Documents

Separate Books
for each R.C.

Records
specified as
per GST

Consolidation
Of Accounts

Inter Branch
Transactions

Stock Or
Services Trf.

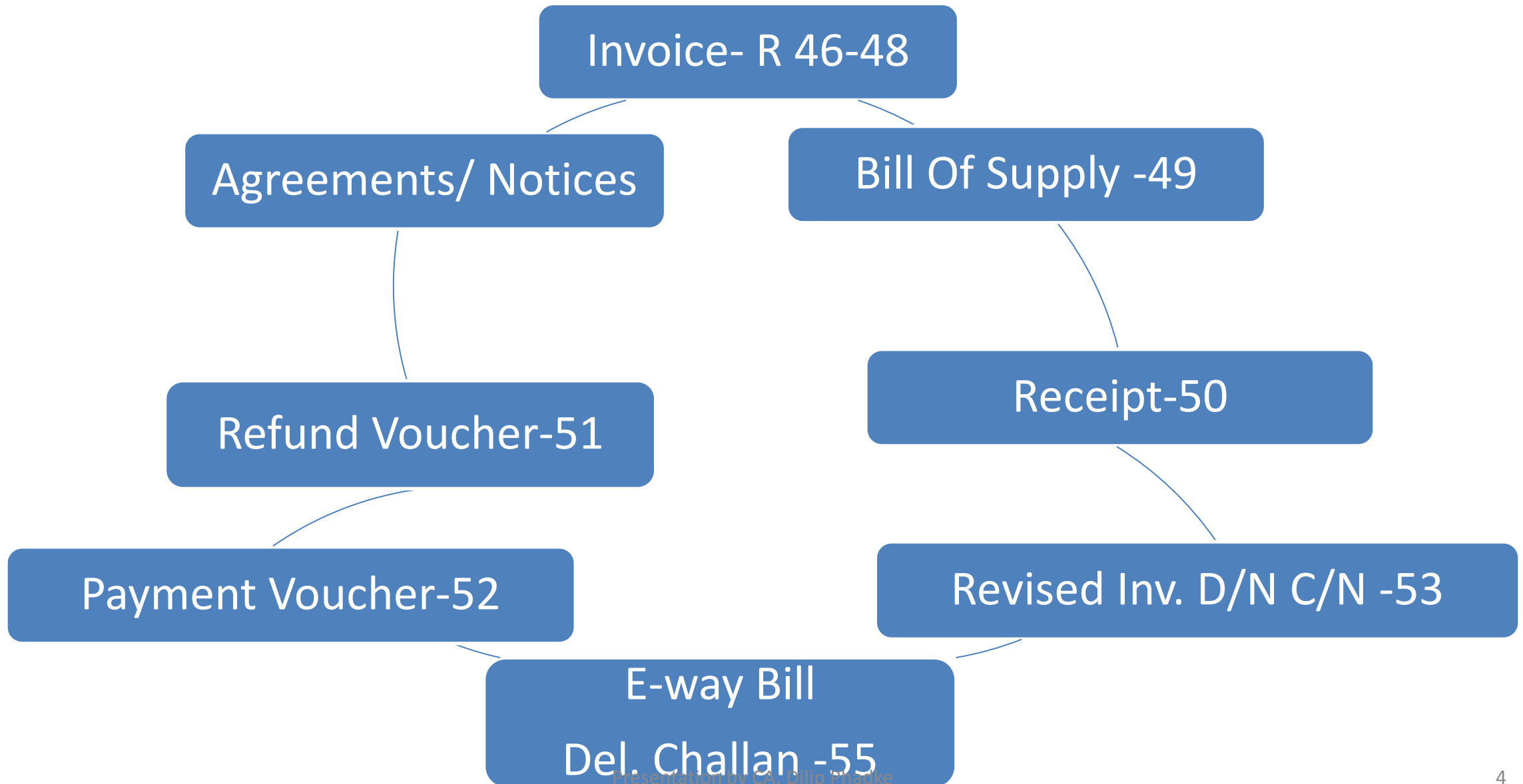
I.S.D. Or
Cross charge

Final Accounts
As Per Law

E-Ledgers
Cash/Cr./Lia.

Ledger
Accounts
Reconciliation

GST Documents Rule 46 To 55



Things to be done before 20/10/2018

Pending ITC to be availed before filing GSTR-3B of Sept '18: Sec. 16 (4) provides that ITC on the invoices raised during July 2017 to March 2018 (17-18) can be availed by the RTP On or before the due date of furnishing the return for the month of September 2018 i.e. 20-10-2018 (unless extended),

a. Reconciliation of ITC availed in GSTR-3B with the books:

There may be instances where due to human/system error, the ITC has not been availed in GSTR-3B. Such invoices are required to be traced so that the ITC can be availed within the time frame.

b. Reco. of ITC availed in GSTR-3B with ITC available as per GSTR-2A:

Presently, there is no requirement to file or verify GSTR 2A return. However, there may be many reasons for difference between credit availed under GSTR-3B & credit appearing under GSTR-2A.

Things to be done before 20/10/2018

- i)** There may be cases where vendor has sent the invoice which the company has not received at all. In such cases, the company is required to follow up with the vendor and get the invoices and then avail ITC within the time.
- ii)** ITC on bank charges have not been taken as invoice may not be received from Bank. In such cases, the company is required to follow up with the bank and get the invoices and then avail ITC within the time.
- iii)** There have been instances where GSTIN number was not provided to the vendors initially resulting in issuance of invoice as B2C. In such cases, the company must get the invoices amended from the vendor as B2B before availing the ITC and assure that the vendor rectifies the same in his GSTR-1 not later than GSTR-1 for the month of Sept. 2018.

Things to be done before 20/10/2018

c. ITC available on distribution by ISD:

All the recipient units are required to avail the ISD credit based on the invoices issued by ISD. It is advised that all such ITC distributed on ISD invoices issued in July 2017 to March 2018, shall be availed on or before due date of Sept 2018 return.

d. D/N issued during 2018-19 by vendor for invoices issued in 2017-18:

Sec.16 (4) ITC on debit note issued by vendor during the. 2018-19 pertaining to invoices raised in 2017-18 has to be availed before due date of filing GSTR-3B for the month of Sept.18. Therefore, the company has to evaluate all the debit notes issued during the period up to 30-09-2018 pertaining to the original invoices issued during the period 17-18.

e.g. ITC on D/N issued in July'18 against the original invoice pertaining to March'18 has to be availed on or before due date of Sept 2018 return.

Things to be done before 20/10/2018

e. Credit Notes: The credit notes for the period 17/18 have to be issued & uploaded in GSTR-1 before filing GSTR-1 for the month of September 18. If such credit notes are not uploaded on or before filing GSTR-1, then the liability cannot be reduced to that extent.

f. Cross-charging: The Head office provides administration/business support services (Tax/HR/Legal/Finance Team) to other units/branches located in different states or different registrations i.e. distinct persons which is considered as supply of services and accordingly GST has to be charged on the same. Therefore, Head office has to cross charge and pay GST on the same (if not done) to all distinct persons at the earliest.

g. RCM liability of ISD unit:

Services liable for RCM availed by ISD

a. Can ISD pay it?

b. How they can distribute it?

Books & Records To be Maintained Sec. 35

- (1) Every RTP **shall keep** and maintain, at his principal place of business, as per RC, a true and correct account of—
- (a) **production or manufacture** of goods;
- (b) **inward and outward supply** of G &/or S; (c) **stock of goods**;
- (d) **input tax credit** availed; (e) **output tax** payable and paid; and
- (f) such other particulars as may be prescribed:
- Where **more than one place** of business, the accounts relating to each place of business shall be kept at such places of business

Maintenance Of Records – Rule 56

- 1) Every RTP **shall keep** and maintain a **true and correct account** of the **G/S imported or exported** or of supplies attracting payment of tax on **RCM** along with relevant documents, including invoices, bills of supply, delivery challans, c/n, d/n, receipt vouchers, payment vouchers, & refund vouchers.
- 2) Every RTP, other than a composition dealer, **shall maintain accounts of stock in respect of goods** received and supplied by him, and such account shall contain particulars of the opening balance, receipt, supply, **goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples** and balance of **stock including raw materials, finished goods, scrap and wastage** thereof.

Maintenance Of Records – Rule 56

- 7) Every RTP shall keep the **books of account at the principal POB** and at every **additional POB** and such books of account shall **include any electronic form of data** stored on any electronic device.
- 8) Any entry in registers, accounts and documents **shall not be erased, effaced or overwritten**, and all incorrect entries **shall be scored out** under attestation and thereafter correct entry shall be recorded, and where the registers and other documents are maintained electronically, **a log of every entry edited or deleted** shall be kept.

Maintenance Of Records – Rule 56

- 12) Every reg. **manufacturer** shall maintain monthly production accounts, showing the **quantitative details** of R.M. or **services** used in the manufacture and **F.G.** including the **waste and by products**
- 13) Every **services provider** shall maintain the accounts of **goods used** in the provision of each service, details of **input services** utilised and the **services supplied**.
- 14) Every **Works Contractor** shall keep separate accounts for each w/c-
- (a) the **names and addresses of the contractee** executing w/c;
 - (b) description, value and quantity as applicable of **G/S received**.
 - (c) description, value and quantity as applicable of **G/S utilized**.
 - (d) the details of **payment recd.** in respect of each w/c; &
 - (e) the **names and addresses of suppliers** from whom he has recd. G/S.

Issues Books & Records To be Maintained Sec. 35

- How to maintain a true and correct account of—
- *(a)* **production or manufacture** of goods;
- *(b)* **inward supplies** of G &/or S; **(net or gross amt.)**
- *(c)* **stock of goods (W.I.P., purpose, management certificate);**
- *(d)* **input tax credit** availed;
- Where **more than one place** of business, is it compulsory to have separate books of accounts, & Final A/c?.
- If permitted under IT not to maintain records under presumptive Taxation is it necessary to maintain it under GST?
- If documents do not contain required particulars, are they valid?
- If Tax liability changes in 18/19 for 17/18 because of AAR decision or change of HSN Code – Accounting treatment?

Custom valuation, Tax invoice & Commercial invoice – Reco?

- **CUSTOM RATE /RBI RATE:-** Xyz Limited has exported the goods worth \$50000 in month of June 2018 ,Custom rate of \$ was Rupees 68 ,Return 3B was filed with custom rate Rs. $50000 \times 68 =$ Rs.34 lakhs However RBI Rate of One \$ was 67, In Books of Accounts the export was accounted on $Rs.50000 \times 67 =$ Rs.33.50 Lakhs, How to deal with Differential amount of Exports shown in 3B and Exports shown in Books?
- **Rule 34. Rate of exchange of other currency, for determination of value. –**
- (1) The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board u/s 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of sec. 12 of the Act.
- (2) The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of sec. 13 of the Act.

Time of supply RCM goods/ services - sec 12(3)/ 13(3)

In case of supplies of G/S in respect of which tax is paid or liable to be paid on RCM, the time of supply shall be the earliest of the following

- (a) the date of the receipt of goods (Not for services); or
- (b) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier in respect of G/S; or
- (c) the date immediately following 30/60 days from the date of issue of invoice for G/S or any other document, by whatever name called, in lieu thereof by the supplier:
- Provided that where it is not possible to determine the time of supply as above the time of supply shall be the date of entry in the books of account of the recipient of supply.

Example urd. purchase of goods

(Event)	Mar.18 - G	Feb.18 - S	Remarks
Date Of purchase inv.	12/3/2018	19/2/2018	Goods Recd. 2/4 /service Provided.
Date Of payment	12/4/2018	28/4/2018	
Date of liability	10/4/2018	21/4/2018	Consolidated inv./ 30/60 days
Date of RCM payment	17/4/2018	12/5/2018	
Date Of Filing of return	19/4/2018	18/5/2018	
Return in which RCM ADJ.	Apr.18 filed in May 18	May.18 filed in June 18	

Whether liability for RCM to be booked in Mar 2018

Case Study : Accounting Treatment For

- 1) How to maintain the registers for claiming correct ITC and calculate the ITC blocked, ITC to be reversed, & partial credit?
- 2) A dealer is having stock of material on which he is entitled for credit of 1,00,000/- having documents. Out of this amount Rs. 25000/- are of the material purchased in 16-17 and Rs. 75,000/- relate to 17-18 purchases.

While debiting ITC availed to ECRL Shall it be

- a) credited to P&L a/c as prior period item 25000/- & current period credit Rs. 75000/-
 - b) Reduced from stock valuation and debited to ITC ECRL
- 3) When duty paying documents are not available when to take credit of 40%/60% amount of ITC :
 - a) Filing of TRANS1
 - b) Sale of Material (the benefit is to be passed on as reduction of sale price)
 - c) Filing of TRANS 2
 - d) If Trans 2 is still not filed

Case Study : Accounting Treatment For

4) In case of builders & Developers of Maharashtra 1% composition was paid by the flat purchaser at the time of registration which was paid by builder the proportionate can be carried forward as per completion of project. If he has not shown that as income but netted out receipt and payment will it become his liability if he carries it forward, on 1/7 or it will be his income?

5) If the builder had received the advance of 50% and paid service tax and cess against the same by recovering it from flat purchaser whereas the work completed was only 30%

6) Builder having stock of steel, cement etc. and stock of work completed and work in progress for which he has not made any bills in previous period. Is builder entitled for credit of excise and vat in –
a) If material was purchased by builder. b) If subcontract was given

Case Study : Accounting Treatment For

7) Many dealers have c/f KKC in TRANS 1 & adjusted the same against CGST liability.

- Many have received SCN regarding the same and because of retrospective amendment it is not available to the dealer is clear.
- What should be the treatment of Reversal, Payment of Tax interest & Penalty?

8) Many dealers are unable to file TRANS1 because of technical problems Now after filing the writ and undertaking many steps the process of allowing them to file the said form has started, but not completed.

- Whether such dealers were entitled for the credit of ITC or not?
- If he has shown the credit in his books as income will it become contingent asset on 31st March?
- If his application for uploading TRANS1 is rejected or is unsuccessful what should be accounting treatment?

Apportionment of ITC Sec 17

(1) Where the G &/or S are used by the RTP **business as well as for other purposes**, the amt. of ITC shall be restricted to the input tax as is attributable to the purposes of his business.

(2) Where the G &/or S are used by the RTP **partly** for effecting **taxable supplies** including zero-rated supplies and partly for effecting **exempt supplies**, the amt. of ITC shall be restricted to input tax as is attributable to the said taxable supplies including zero-rated supplies.

(3) The value of exempt supply u/ss. (2) shall be prescribed, and shall include supplies on which the **recipient is liable to pay tax on RCM, transactions in securities, sale of land and, subject to para 5 (b) of Sch. II, sale of building.**

Conversion Exempt to Taxable Sec. 18 (1) (d)

Sec, 18.(1) Subject to such conditions and restrictions as may be prescribed–

(d) where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable :

Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed.

N.N.C.R. 11 & 20 Of 2017

Description of Service	Rate	Condition
Entry 9 (i) Services of goods transport agency (GTA) in relation to transportation of goods (including used household goods for personal use). Explanation.- “goods transport agency” means any person who provides service in relation to transport of goods by road and issues consignment note, by whatever name called.	2.5%	Provided that credit of input tax charged on goods and services used in supplying the service has not been taken [Please refer to Explanation no. (iv)] OR
	6.0%	Provided that the goods transport agency opting to pay central tax @ 6% under this entry shall, thenceforth, be liable to pay central tax @ 6% on all the services of GTA supplied by it.”;

Explanation (iv) Wherever a rate has been prescribed in this notification subject to the condition that credit of input tax charged on goods or services used in supplying the service has not been taken, it shall mean that,- (a) credit of input tax charged on goods or services used exclusively in supplying such service has not been taken; and (b) credit of input tax charged on goods or services used partly for supplying such service and partly for effecting other supplies eligible for input tax credits, is reversed **as if supply of such service is an exempt supply** and attracts provisions of sub-section (2) of section 17 of the Central Goods and Services Tax Act, 2017 and the rules made thereunder.

Posers

- 1) Is there any provision not allowing ITC to unit which is registered under GST making wholly exempt supply?
- 2) Can GTA under RCM 5% in August 2018 convert taxation to forward charge 12% from Sept. 2018?
- 3) Can GTA which has converted to forward charge in Sept. 2018 take credit of inputs, input services & Capital goods from 1-7-2017 to 31-3-2018 & 1-4-2018 to 1-9-2018
- 4) If yes, what should be treatment for it in 3B of 17/18 & 18/19 and respective books of accounts and Balance Sheet?
- 5) If No, Depreciation shall be claimed on ITC?

POSER

If supplier of goods having turnover of taxable goods of 50 lakhs and turnover of exempt supply of 10 lakhs having ITC of 4 lakhs **directly related to taxable supplies**, ITC of 1 lakh **directly related to exempt supplies** and 3 lakhs **common ITC**. During the year he sells his land/building/securities for 6 crore. As per section 17(2) read with 17(3) the common credit of 3 lakhs should be proportionately reduced by multiplying with $10/60$ or $610/660$?

Will it make any difference if the if it was personal land?

Disallowance = 16.67% OR 92.42%

What should be the accounting treatment?

Transportation Charges Poser

Supplier has agreed to give door delivery. The purchaser is unable to collect it & request the supplier to arrange for the transportation of goods. The supplier arranges a GTA and pays 10000/- As the supplier has paid the amt. he pays Rs. 500/- under RCM u/s 9(3). He raises a D/N for the same.

Issues- Can supplier issue debit note as follows:

- 1) Rs. 10500/- reimbursement of transportation charges
- 2) Transportation charges 10000 + Tax @ 5% (Forward Charge)
- 3) Transportation Charges 10000 + Tax 12%
- 4) Transportation charges 10000 + Tax 18% (Rate Of goods supplied)

Will supplier get ITC of the RCM amount paid Rs. 500/-

Will Purchaser get ITC in 1st case.

If the supplier debits parties account for the expenses and recovers the same by cheque and sets it off against each other how to find it out.

Reg. & unregistered - purchases u/s 9(3)

- **Sec 2(98)“Reverse charge”** means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both u/s 9 (3)/(4) of CGST or u/s 5(3)/(4) of IGST.
- U/s 9(3) CGST, SGST Act and u/s 5(3) IGST Act, recipient of the goods and/or services is liable to pay tax on notified categories of supply of goods and/or services. The Government has issued N.No.4,13/2017-CGST(Rate) and N.No.4,10/2017-IGST (Rate) in respect of goods and in respect of services (Resp.), all dated 28th June, 2017, Specifying the goods & services on which tax is payable on reverse charge.

Urd. purchases u/s 9(4)

- U/s 9(4) of the CGST Act, u/s 5(4) of the IGST Act, on the purchases of taxable G &/or S from an urd. supplier by a reg. person shall be paid by such reg. person on RCM
- NNCR. 38/2017- dt. 13/10/2017 has exempted such supplies by an URD to a reg. person from RCM till 31/3-30/6/18- No more.
- From 1-7-2017 to 13/10/2017 exemption was limited up to an aggregate value of Rs.5000/- per day from all URD persons vide NNCR. 8/2017 dated 28/6/2017.
- registered person is liable to pay tax u/s 9(3)/9(4) shall issue an invoice u/s 31(3)(f) and a payment voucher at the time of making payment to the supplier u/s 31(3)(g) read with Rule 46/52 resp.

Urd. purchases u/s 9(4)

- Rule 46 proviso a **consolidated invoice may be issued** at the end of a month for supplies covered under section 9(4), where aggregate value of such supplies exceeds Rs. 5000/- in a day from any or all the suppliers.
- ITC of taxes paid under RCM shall be available subject to such restrictions and conditions as prescribed in sec.16 and 17 and Rules 36 to 45
- The credit will be available in the month in which the RCM is paid & adjusted. - e.g. RCM of Aug. 2017 paid on 15th Sept. and return 3B filed on 19th Sept. the credit will be available while filing return of September in October.

Entries to be passed for RCM

- 1) The entry for purchases/expenses shall be passed on the date of receipt goods or procuring of services.
- 2) **R.C.M. liability entry on date of liability**
CGST interim Dr. (C/Ass.) To CGST RCM Payable
- 3) **Payment of GST Liability (No adjustment against ITC)**
CGST (Cash led.) Dr. To Bank
- 4) Adjustment of RCM payable
CGST RCM Payable Dr. To CGST (Cash led.)
- 5) Transfer of interim debit to ITC
CGST (ITC) Dr. To CGST interim

Maintenance Of Records – Rule 56

4) Every RTP other than composition dealer, shall keep and maintain an account, containing the details of **tax payable** (including tax payable in RCM u/s 9(3) & (4)), tax collected and paid, input tax, ITC claimed, together with a register of tax invoice, C/N, D/N, D/C issued or received during any tax period.

S. 31(3) (f) a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both;

Issue: **Purpose, method & accounting entry of Consolidated invoice?**

Reconciliations

Financial
Statements

GST
Returns

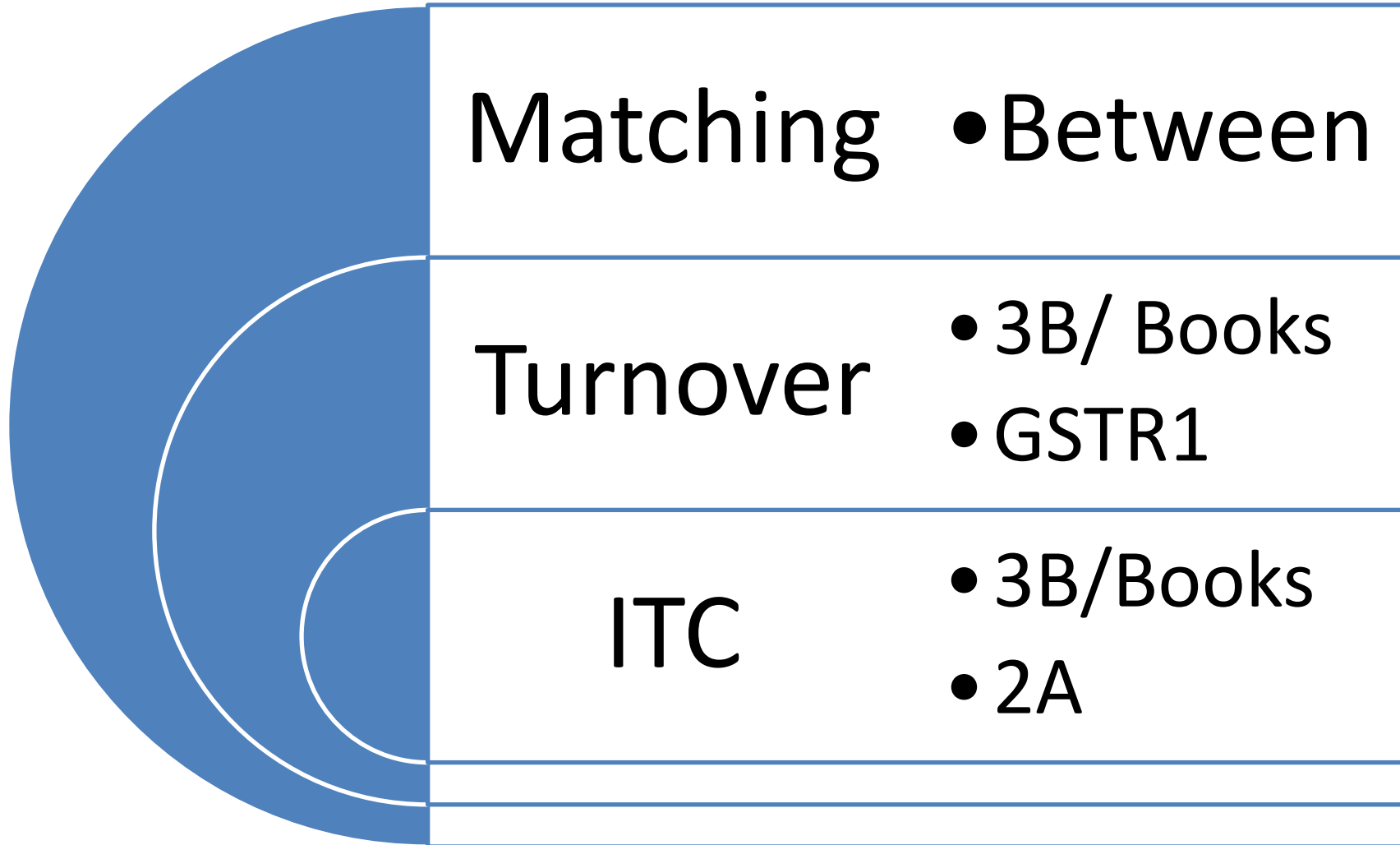
I.T., P.T., ROC
& Other
Returns



Reconciliation

between
3B, GSTR 1

Books of
Accounts



Contents Of 3B

Table No.	Description
3.1(a)	Outward taxable supplies (other than zero rated, nil rated and exempted)
3.1(b)	Outward taxable supplies (zero rated)
3.1(c)	Other outward supplies (Nil rated, exempted)
3.1(d)	Inward supplies (liable to reverse charge)
3.1(e)	Non-GST outward supplies
4 (A) (1)	Import of goods
4 (A) (2)	Import of services
4 (A) (3)	Inward supplies liable to reverse charge (other than 1 & 2 above)
4 (A) (4)	Inward supplies from ISD
4 (A) (5)	All other ITC
4 B	ITC Reversed
4 D	Ineligible ITC

Contents of GSTR1

Table No.	Description
4	Taxable outward supplies made to registered persons (including UIN-holders) other than supplies covered by Table 6
5	Taxable outward inter-State supplies to un-registered persons where the invoice value is more than Rs 2.5 lakh
7	Taxable supplies (Net of debit notes and credit notes) to unregistered persons other than the supplies covered in Table 5
9	Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 4, 5 and 6 [including debit notes, credit notes, refund vouchers issued during current period and amendments thereof]
11	Consolidated Statement of Advances Received/Advance adjusted in the current tax period/ Amendments of information furnished in earlier tax period

Contents of GSTR1

Table No.	Description
6A	Export
6B	Supply made to SEZ Unit or SEZ Developer
6C	Deemed Export
8A	Inter-State supplies to registered persons
8B	Intra- State supplies to registered persons
8C	Inter-State supplies to Unregistered persons
8D	Intra- State supplies to Unregistered persons

Summary of GSTR-1 and GSTR-3B and its comparision

Particulars		Table	GSTR- 1		GSTR-3B	
			Net	Tax	Net	Tax
B2B	Total	4A ...				
	Amendments	9A				
	DN/CN	9B				
	DN/CN-Amendments	9C				
B2C	Large	5A ...				
	Amendments	9A				
	DN/CN	9B				
	DN/CN-Amendments	9C				
	Others (Net)	7				
Adv Recd	Total	11A				
	Amendments	11A				
Adv Adjusted	Total	11B				
	Amendments	11B				
SUB-TOTAL			0	0		

Summary of GSTR-1 and GSTR-3B and its comparision

Particulars		Table	GSTR- 1		GSTR-3B	
			Net	Tax	Net	Tax
Export	With Tax - Total	6A				
	Amendments	9A				
	DN/CN	9B				
	DN/CN-Amendments	9C				
	Without Tax - Total	6A				
	Amendments	9A				
	DN/CN	9B				
	DN/CN-Amendments	9C				
SUB-TOTAL			0	0		

Summary of GSTR-1 and GSTR-3B and its comparision

Particulars		Table	GSTR- 1		GSTR-3B	
			Net	Tax	Net	Tax
Nil Rated	To Registered - Intra-state	8A ...				
	Inter-state	8A ...				
	To Un-Registered -Intra-state	8A ...				
	Inter-state	8A ...				
Exempt	To Registered - Intra-state	8A ...				
	Inter-state	8A ...				
	To Un-Registered -Intra-state	8A ...				
	Inter-state	8A ...				
SUB-TOTAL			0	0		
Non-GST	To Registered - Intra-state	8A ...				
	Inter-state	8A ...				
	To Un-Registered -Intra-state	8A ...				
	Inter-state	8A ...				
SUB-TOTAL			0	0		

Points Of Reconciliation- Financial & GST Returns

- Definition of Turnover under GST, IT Act & Acc. Standards.
 - a) Gst not considered but to be considered for 145A
 - b) Other taxes (like municipal taxes) to be included in t/o of GST shown as net off in Financial Accounts.
 - C) Related party transactions like branch trf., agent included
- Turnover split in two periods
 - a) Three months turnover under VAT, Service tax, Excise etc.
 - b) Nine months under GST
- Transportation charges shown in GSTR1, Net out in F.A.

Points Of Reconciliation- Financial & GST Returns

- Services provided in March bill raised in April – F.A./G.S.T.
- Advance received but goods/ services not provided
- A.M.C./ Insurance paid/ received for full year – pre-paid/ recd.?
- Cash accounting system & GST invoices
- Taxation of Voucher issued and redeemed
- GTA following RCM method converts to forward charge method
- Deduction allowed while charging tax but shown at gross value in F.A. - Sale of fixed asset like vehicle
- Determination of value of the supply by adopting rule 32 like money exchanger, air ticket, insurance, second hand goods dealer

Points Of Reconciliation- Financial & GST Returns

- Amount paid by recipient which was payable by supplier netted off in transportation
- Recovery of food expenses from salary deducted from staff welfare expenses.
- Builder showing turnover by % completion method and making bill stage wise.
- Discount treatment – trade discount and post sale discount.

Reconciliation

Net outward supplies after considering the return of supplies on which output tax is payable

Sl. No.	Particulars
	Revenue from operations
	Other Income
	Amount as per financials
Less	Revenue/Other Income pertaining to other registered/distinct persons
Less	<u>Revenue items on which output GST is not payable</u>
	Zero rated without payment of tax - Export and supplies to SEZ
	Deemed exports
	Liable to tax under reverse charge mechanism
	Wholly Exempt Supplies
	Partly Exempt Supplies (exempt portion)
	Non-GST supplies
	Not a supply as per Schedule III or the definition of supply
	Amount as per financials (in the State)

Add:	Sale of capital assets
	Unearned revenue (advances)
	Section 15
	Taxes, duties, cess etc levied under other laws charged by supplier
	Amount incurred by recipient but liable to be paid by supplier
	Interest, late fee or penalty for delayed payment of consideration
	Incidental expenses charged by the supplier
	Schedule I
	Write off and disposal of business assets without consideration, if GST credit was availed
	Supply of goods / services by <<GSTIN>> to related persons / distinct persons:
	(i) To employees (excluding gifts per employee upto Rs.50,000)
	(ii) To distinct persons having same PAN
	(iii) To other related persons
	Goods dispatched by GSTIN to agents to the extent sale is not made / recognised
Less:	Unbilled revenue (<i>Considering the provisions of Section 13(2) of the CGST Act, 2017</i>)
	Revenue by way of supplies made through agents where tax paid in PY upon initial dispatch
	Revenue omitted to be declared in the Annual Return
	Revenue against which Time of Supply has occurred in the previous year
	Any other (please specify)
	Amount as per Annual Return (in a State)

Reconciliation

Net inward supplies on which input tax credit has been taken

Sl. No.	Particulars
	Operational Expenses
	Other expenses
Less	Expenses pertaining to other registered persons/distinct persons
Less	<u>Expenses on which input tax credit is not available due to the following:</u>
	Not a supply as per Schedule III or the definition of supply
	Inward supplies received from composition suppliers
	Exempt inward supplies
	Wholly Exempt Inward Supplies
	Partly Exempt Inward Supplies (exempt portion)
	Non-GST Inward supplies
	Goods / services are not used in the course or furtherance of business
	Credit ineligible as the goods/services received are used wholly for effecting exempt supplies (excluding exports)
	Credit ineligible u/s 17(5)(a) : On motor vehicles and other conveyances
	Credit ineligible u/s 17(5)(b)(i) : On food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery

	Credit ineligible u/s 17(5)(b)(ii) : On membership of a club, health and fitness centre
	Credit ineligible u/s 17(5)(b)(iii) : On rent-a-cab, life insurance and health insurance
	Credit ineligible u/s 17(5)(b)(iv) : On travel benefits extended to employees on vacation
	Credit ineligible u/s 17(5)(c) : On works contract services when supplied for construction of an immovable property
	Credit ineligible u/s 17(5)(d) : On goods / services received for construction of an immovable property on own account
	Credit ineligible u/s 17(5)(g) : On goods or services or both used for personal consumption;
	Credit ineligible u/s 17(5)(h) : On goods lost, stolen, destroyed;
	Credit ineligible u/s 17(5)(h) : On goods written off;
	Credit ineligible u/s 17(5)(h) : On goods disposed of by way of gift;
	Credit ineligible u/s 17(5)(h) : On goods disposed of by way of free samples;
	Credit ineligible u/s 17(5)(i) : In respect of tax paid in accordance with the provisions of sections 74, 129 and 130;
	Credit not taken as the recipient's GSTIN was not mentioned / mentioned incorrectly
	Credit reversed u/s 17 (4) for a banking company / financial institution / non banking financial company
	Credit not taken as the place of supply is outside the State
	Amount as per financials (in the State)

Add:	Purchase of capital assets
	Prepaid expenses
	Expenses of previous year on which input tax credit has been taken this year
	Section 15
	Taxes, duties, cess etc levied under other laws charged by supplier
	Amount incurred by recipient but liable to be paid by supplier
	Interest, late fee or penalty for delayed payment of consideration
	Incidental expenses charged by the supplier
	Any other (please specify)
Less:	Prepaid expenses of previous year
	Expenses omitted to be declared in the Annual Return
	Expenses on which input tax credit will be taken in the subsequent year
	Any other (please specify)
	Amount as per Annual Return (in a State)

Determination & Reversal Of ITC Rule 42

Particulars December 2017	Action	Ref.	Amount
01. Total Input tax on inputs & input services		T	50,000
02. ITC used only for non business purpose	Reverse	T-1	5,000
03. ITC for effecting exempt supply	Reverse	T-2	10,000
04. ITC ineligible u/s 17(5)	Reverse	T-3	2,000
05. Total To be reversed (T-1 + T-2 + T-3)		C-1	17,000
06. ITC used for taxable supplies Incl. Zero rated	Allowed	T-4	25,000
The above fig are to be declared in GSTR -2			
07. Common Credit (T - (C-1 + T-4))	Allowed	C-2	8,000
08. Aggregate value for exempt supplies		E	5,00,000
09. Total turnover for the period		F	20,00,000

Determination & Reversal Of ITC Rule 42

Particulars	Action	Ref.	Amount
10. Credit attributable to exempt supplies (E/F) * C-2	Reverse	D-1	2,000
11. Credit for non business purpose C-2 *5% (42(1)(j))	Reverse	D-2	400
12. Net eligible common credit C-2 – (D-1 +D-2)	Allowed	C-3	5,600
13. Total Credit eligible T-4 + C-3	Allowed	G	30,600

- Notes:**
1. If turnover of the period is nil the turnover of the previous Period to be considered.
 2. Aggregate value excludes taxes.
 3. Make such computation for each tax period and the whole year
 4. If yearly credit claimed is short than the total of monthly fig. the shortage can be claimed as ITC in ERCL before Sept return. 42(2)(b)
 5. If yearly credit claimed is more than the total of monthly fig. excess shall be added to the OTL with int. from Apr. 42(2)(a).

Final settlement of ITC In/Before September

(A) Calculate C-3 (Net eligible common credit) for full year with yearly figures before filing return for Sept. of subsequent year.

(B) Take the total of monthly C-3 figures of 12 months

If B is greater than A **add the difference to the output liability of month of calculation** of succeeding year.

Calculate interest @ 18% p.a. from April till the liability is added and add it to the liability.

If A is less than B **add it to the electronic cr. Ledger, through 3B. You will not get any interest for the surplus.**

The figures for I/C/S/UT GST to be calculated separately.

Determination & Reversal Of ITC FOR CAPITAL GOODS R 43

Particulars MAY 2018	Ref.	Amount
01. ITC on CG used for exclusively non business	T-1	10,000
02. ITC on CG used exclusively for exempt supplies	T-2	10,000
Non Available ITC		20,000
03. ITC on CG used only for taxable supplies (Incl. exp)	T-3	50,000
04. ITC on CG other than above (See Annex. A)	A	1,80,000
05. ITC on CG whose residual life remaining in beginning of tax period. - May 2018 (See Annex A)	Tr	9,000
08. Aggregate value for exempt supplies	E	5,00,000
09. Total turnover for the period	F	20,00,000
10. Credit attributable to exempt supply (E/F *Tr)	Te	2,250
11. Total ITC for May 2018 (1,80,000 – 2250 +50,000)		2,27,750

ANNEX. A - CAP. GOODS. ITC Rule 43

Particulars	Ref.	Amount
01. Value of Inward supply on 12/4/2018 of P&M	a	20,00,000
02. IGST 18%	b.	3,60,000
03. Total Value of P&M		23,60,000
04. Life of asset to be 5 Years	Months	60
05. ITC attributable for 1 month ($b/60*1$)	Tm-1	6,000
06. Value of Inward supply on 20/5/2018 of P&M	e	10,00,000
07. IGST 18%	f	1,80,000
08. Total Value of P&M		11,80,000
09. Life of asset to be 5 Years	Months	60
10. ITC attributable for May 2018 ($f/60 *1$)		3,000
11. Aggregate ITC ON COMMON CREDITS		9,000

ITC In Special Circumstances Sec. 18

(4) Where any **RTP who has availed of ITC opts to pay tax u/s 10 or, where the G &/or S supplied by him become wholly exempt**, he shall pay an amt., by way of debit in the ECRL or ECL, amt. equivalent to ITC in respect of stock of inputs & contained in S/F, Fin. Goods and on capital goods,(reduced by prescribed % points) on the previous day of becoming composition dealer or exemption. The balance of ITC, if any, lying in his ECRL shall lapse.

Reversal Of ITC Rule 44

In case of opting for composition/ exemption or cancellation the amt. of ITC to be reversed shall be calculated as follows:

1. On stock of Inputs, S.F./F. goods - **proportionately** on the basis of corresponding invoice on which credit is availed. If invoice not available on basis of **prevailing market price**.
2. On cap. goods reverse ITC for remaining life of asset taking useful life of asset as 5 years.
3. The amount shall be determined for I/C/S/UT GST separately
- 4. File ITC -3 for composition & ITC 10 for cancellation.**
5. Prevailing market price to be certified by CA/ CMA
6. Amt. determined is more than the tax determined shall form part of the OTL in FORM GSTR-1

Cancellation of Reg. or Registered to Comp. Rule 44

Particulars (April 2023)	Amount
Machinery 2- purchased in Dec. 2019 Cost	5,00,000
IGST @ 18%	90,000
Total Cost	5,90,000
Machinery 1- purchased in July 2018 Cost	3,00,000
IGST @ 18%	54,000
Total Cost	3,54,000
Dealer opted for shifting in April 2023	
Residual Machinery period in months (60 Months life)	
1 st Machinery	3
2 nd Machinery (60-40)	20

Cancellation of Reg. or Registered to Comp. Rule 44

Particulars (April 2023)	Ex.1	Ex.2
ITC balance in ERCL (presumed)	30,000	50,000
Calculation of ITC reversal:		
1 st Machine (54000/60 *3)		2700
2 nd Machine (90000/60 *20)		30,000
Total reversal	32,700	32,700
Tax payable (32,700-30000)	2,700	
Tax which will lapse (50,000 – 32,700)		17,300

REVERSAL OF ITC – Rule 37

- If the ITC to be **reversed because of non payment to the supplier within 180 days** the amt. shall be calculated in ratio of unpaid and total bill amt. Such amt shall be shown in GSTR 2 in the month next to completion of 180 days. The amt reversed shall be added to OTL for the said month.
- The **interest shall be payable** as per section 50 (1) from the date of invoice till the date of amt added to OTL
- Such **reversed credit can be claimed in the month in which the payment is made** w/o any time limit mentioned in s. 16(4)
- If supplies are made w/o consideration as per **Sch. I**, it shall be deemed that the consideration is paid.

Practical example of entries to be passed

Entry for inward supply in July				
Purchase/Expense	Dr.		100,000	
Input IGST	Dr.		18,000	
To XYZ Ltd				118,000
Transfer of ITC to E ledger				
ECRL – IGST	Dr.		18,000	
To Input IGST				18,000
Reversal after 180 days for non-payment				
ITC Reversal IGST	Dr.		18,000	
Interest on Reversal	Dr.		1,620	
To ELL - IGST				18,000
To ELL - IGST –INT.				1,620
When Amount is paid ITC reversed will be available				
ECRL – IGST	Dr.		18,000	
To ITC Reversal IGST				18,000

Rectification Of Errors

- a. Rectification of error or omission of invoices: In case of any errors made while uploading Invoices in GSTR-1, the company can rectify the invoices in GSTR-1 in subsequent months. However, as per sec.37, rectification of such invoices can be made before filing GSTR-1 for the month of September. Similarly, the invoices which have been missed in GSTR- 1 for 17-18 can be uploaded in GSTR-1 of September 2018.
- b. Corrections in GSTR-3B should also be done till the return of Sept. 2018.
 - Revision Of returns is not permitted.
 - The rectification can be done in the month in which the mistakes were found.
 - If corrections are done in post March, it will give rise to reconciliation
 1. For 2018
 2. For 2019

Solution for errors as per circular

GSTR 1 – No correction in returns already filed

1) If transaction **not reported in past –**

In current period report in original table

2) If transaction is **wrongly reported in past**

In current period correction via Amendment table

GSTR 3B

1) If not filed Rest & Edit the return

2) If already filed adjust in next return

Note: You can't report negative figure.

Over reporting Of Turnover & Taxes

Month	Particulars	Net Turn /o	CGST	SGST
March 18	Actual	10000	250	250
	Reported	100000	2500	2500
	Overstated -Mistake	90000	2250	2250
April 18	Actual	50000	1250	1250
	To Report	Nil	Nil	Nil
May 18	Actual	80000	2000	2000
	To Report	40000	1000	1000

If April amount is sufficient to absorb the impact of mistake it is not necessary to adjust the difference overstated in May 2018.

If the mistake was found in May the adjustment can be made in May 2018. (Till the return of Sept. is filed)

Only tax was over reported

Month	Particulars	Net Turn /o	CGST	SGST
March 18	Actual	100000	9000	9000
	Reported	100000	14000	14000
	Mistake – Tax over stated	Nil	6000	6000
April 18	Actual	150000	13500	13500
	To Report	150000	7500	7500

Taxes paid under wrong head

Month	Particulars	Net T/o	IGST	CGST	SGST
Mar. 18	Actual	100000	18000		
	Reported	100000		9000	9000
	Mistake – C&S Paid instead of IGST		-18000	+9000	+9000
April 18	Actual	60000		5400	5400
	To Report	60000	18000	0	0
	Refund Due			3600	3600

- 1) The refund of Rs. 3600 to be claimed or adjust in next month
- 2) Pay full liability 18000+5400+5400 and claim full refund of 9000+9000
- 3) Adjust 3600+3600 in May 2018
- 4) If April t/o is Nil adjustment to be made in next month

The turnover, taxes under reported

Month	Particulars	Net T/o	CGST	SGST
Mar.18	Actual	250000	22500	22500
	Reported	100000	9000	9000
	Mistake – understated t/o, tax	150000	13500	13500
April 18	Actual	200000	18000	18000
	To Report	350000	31500	31500

The Interest u/s 50 will be payable @ 18%

Only tax was under stated

Month	Particulars	Net Turn /o	CGST	SGST
March 18	Actual	100000	14000	14000
	Reported	100000	9000	9000
	Mistake – Tax under stated	Nil	5000	5000
April 18	Actual	150000	13500	13500
	To Report	150000	18500	18500

The Interest u/s 50 will be payable @ 18% on 6000 + 6000

EXPORT-1- Not reported/ Under reported in 3B

Month	Particulars	Net T /o	IGST	
Mar.18	Actual	100000	18000	Interest u/s 50 @ 18% will be payable in Apr.
	Reported	0	0	
	Mistake – No t/o, tax	100000	18000	
April 18	Actual	150000	27000	
	To Report	250000	45000	
Month	Particulars	Net T/o	IGST	
Mar.18	Actual	100000	18000	Interest u/s 50 @ 18% will be payable in Apr.
	Reported	10000	1800	
	Mistake – understated t/o, tax	90000	16200	
April 18	Actual	150000	27000	
	To Report	240000	43200	

EXPORT-2- Over reported in 3B

Month	Particulars	Net T/o	IGST
March 18	Actual	10000	1800
	Reported	100000	18000
	Overstated -Mistake	90000	16200
April 18	Actual	50000	9000
	To Report	Nil	Nil
May 18	Actual	150000	27000
	To Report	110000	19800


Poser : wrong reporting

If in the month of Mar 18 Export t/o 100000 was shown correctly but tax rate was treated as zero and no tax paid and there is no export t/o in Apr/May 18

POSER

Month	Particulars	Net T /o	CGST	SGST
July 17	Actual	400000	36000	36000
	Reported	300000	27000	27000
	Mistake – Under reported	100000	18000	18000
Dec 17	Actual ITC		10000	10000
	Reported		8000	8000
	Mistake – Under reported		2000	2000
May 18	Actual	50000	9000	9000
	To be reported	150000	27000	27000
	Actual ITC		15000	15000
	To be reported		17000	17000

Pay Net Lia. Rs. 10000 + 10000 and Int. @ 18% on Rs. 18000 up to Dec 17 and on Rs. 16000/- Jan 18 to Date of Payment.



Thank
You!

**ANY QUESTIONS
ASK
CA DILIP PHADKE**