

# Practical Issues in GSTR-9C (GST Audit for FY 1718)

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### Form GSTR-9C – Overall view

Part	Details called for	Table	Result
<b>Part A</b>	Reconciliation		
Part I	<b>Basic</b> Details	1-4	-
Part II	Reconciliation of <b>Turnover</b> declared in audited annual financial statement with turnover declared in Annual Return (GSTR 9)	5-8	AT-1 AT-2
Part III	Reconciliation of <b>Tax Paid</b>	9-11	PT-1
Part IV	Reconciliation of <b>Input Tax Credit</b>	12-16	ITC-1 ITC-2
Part V	<b>Auditor's recommendation</b> on additional liability due to reconciliation	-	-
<b>Part B</b>	Certification		

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
5	Reconciliation of Gross Turnover	
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)	
B	Unbilled revenue at the beginning of Financial Year	(+)
C	Unadjusted advances at the end of the Financial Year	(+)
D	Deemed Supply under Schedule I	(+)
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+)
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)
G	Turnover from April 2017 to June 2017	(-)
H	Unbilled revenue at the end of Financial Year	(-)
I	Unadjusted Advances at the beginning of the Financial Year	(-)
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(-)
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)
L	Turnover for the period under composition scheme	(-)
M	Adjustments in turnover under section 15 and rules thereunder	(+/-)
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)
O	Adjustments in turnover due to reasons not listed above	(+/-)
P	Annual turnover after adjustments as above	<Auto>
Q	Turnover as declared in Annual Return (GSTR9)	
R	Un-Reconciled turnover (Q - P)	AT1

### Birds eye view Table 5 & 6

Purpose : **Reconciliation of Gross Turnover** as per audited financial statement with Annual Return.

Turnover (including exports) as per audited financial statements <b>Table 5A</b>	XXXX
Add: Reconciliation Items	XXXX
Less: Reconciliation Items	XXXX
Adjusted Turnover (after considering Reco Items)	XXXX
Turnover as declared in Annual Return (GSTR9) <b>Table 5Q</b>	XXXX
Difference between Adjusted Turnover and Turnover as per Annual Return <b>Table 5R</b>	XXXX
Reason for difference <b>Table 6</b>	XXXX

## Turnover as per Audited Financials / Books

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
5	Reconciliation of Gross Turnover	
A	Turnover (including exports) <b>as per audited financial statements</b> for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)	XXXX <b>(Gross Turnover before any Reduction)</b>

- Multiple GSTINs entities will have to **internally derive their GSTIN wise turnover and declare the same here.**
- What if Client is not a position to provide such details ?
- Whether state wise TB is a must ?
- Turnover = Taxable + Export + Exempt + Nil Rated etc. at Gross Level

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## Turnover as per Audited Financials / Books

- Whether Indirect income as per audited financials to be included in Turnover as per Audited financial statement. ? e.g. dividend, interest, forex fluctuation, profit on sale of asset etc.
- **Yes**
- Multi GSTIN entity, many state level GST Auditors, how to ensure Turnover as declared in Table 5 matches with Audited financial statement ?
- **MRL from Management "Sum total of Turnover as per 5A of all GSTIN = Annual Turnover as per audited financials"**
- Inward supply on which RCM is paid whether part of turnover ?.
- **No.**
- What if Client is covered in GST audit but is not subject to any other audit ?
- **GST auditor to report based on financial statement provided by entity + Suitable disclosure.**
- What if multiple GSITN but consolidated TB?
- **Extract GSTIN level data and ensure at consolidated level matches with audited financials. If required enter into separate engagement.**

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## Residuary Head

50	Adjustments in turnover due to reasons not listed above <b>(Residuary but not balancing figure)</b>	(+/-)	XXXX
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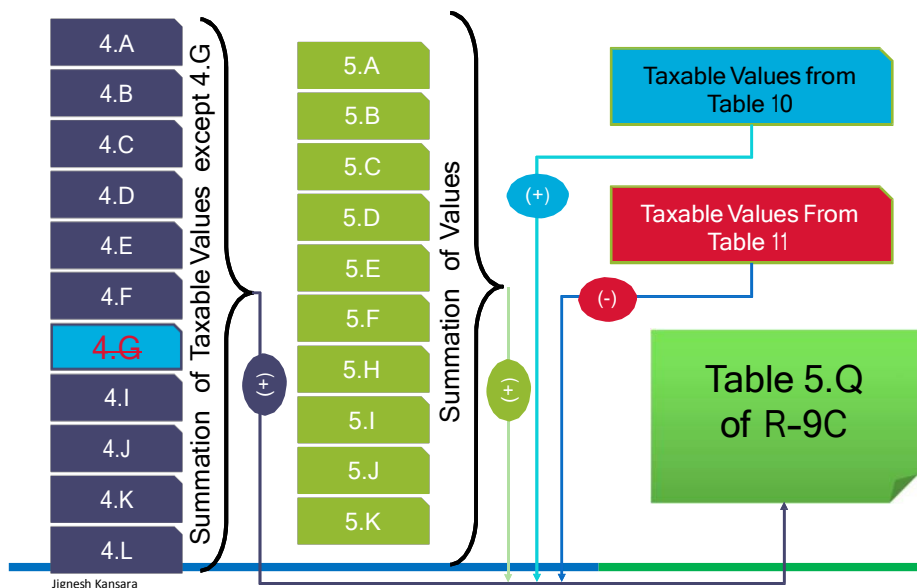
Few examples for 50:

- Canteen Recovery / Notice Pay recovery from employee.
- Sale of Capital Goods.
- Goods sent to job worker not received back within period of 1/3 years and such lapses were identified by Auditor.
- Builder 1/3 Land deduction
- Method of Accounting V/s TOS
- Sch III Supplies e.g. Land and Building after OC
- Non GST item like Petroleum Products
- Barter
- Goods Sent on Approval > 6 months. Deemed Sale
- Neither Goods / Nor Services : e.g Dividend

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## Total Turnover as per R-9 v/s 9C



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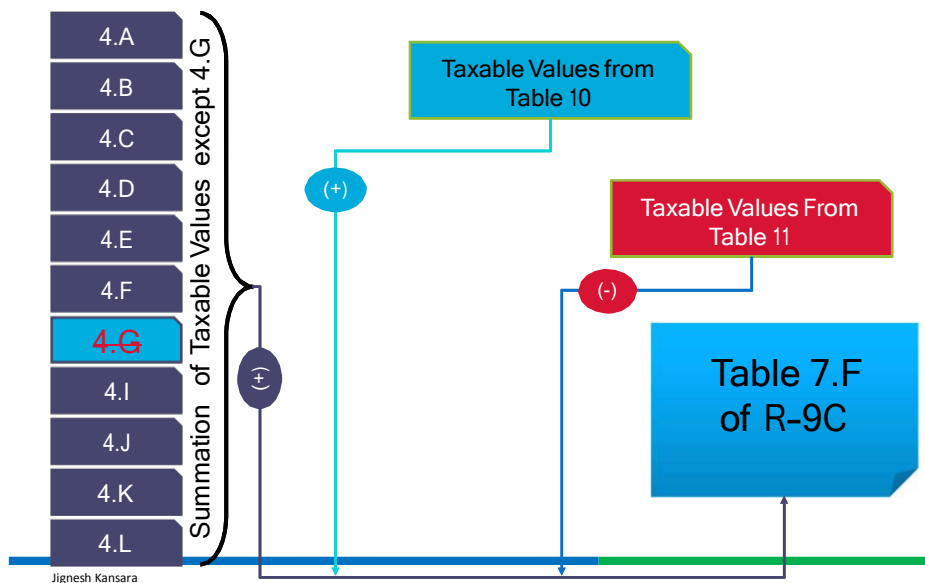
## Birds eye view of Table 7 & 8

7	Reconciliation of <b>Taxable</b> Turnover	
7A	Annual turnover after adjustments (from 5P above)	<Auto>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply Turnover	XXXX
7C	Zero rated supplies without payment of tax	XXXX
7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	XXXX
7E	Taxable Turnover as per adjustment above (A-B-C-D)	<Auto>
7F	Taxable turnover as per liability declared in Annual Return (GSTR9)	4N of GSTR 9
7G	Unreconciled Taxable Turnover (F-E)	AT2
8	Reason for unreconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

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## Taxable turnover as per R-9 v/s 9C



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Pt III Reconciliation of tax paid						
9 Reconciliation of rate wise liability and amount payable thereon						
			Tax Payable			
	Description	Taxable Value	Central Tax	State Tax / Utax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%	SI No 7E				
B	5% (RC)	As per books		9(3)+5(3)+[9(4)+5(4) 12 <sup>th</sup> Oct]		
C	12%	SI No 7E				
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
I	3%					
J	0.25%					
K	0.10%					

Rate wise Taxable Value if client deals in many commodities

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Pt III Reconciliation of tax paid (Continuation)						
	Description	Taxable Value	Central Tax	State Tax / Utax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
L	Interest	To be worked out by CA on month to month basis				
M	Late Fee	Late filing of Returns.				
N	Penalty	If already levied by authorities				
O	Others					
P	Total amount to be paid as per tables above	<Auto>	<Auto>	<Auto>	<Auto>	<Auto>
Q	Total amount paid as declared in Annual Return (GSTR 9)	Table 9 + Table 14 of Annual Return Cash paid + ITC				
R	Un-reconciled payment of amount					
10	Reason for Un-reconciled payment of amount					
A	Reason 1	<<Text>>				
B	Reason 2	<<Text>>				
C	Reason 3	<<Text>>				

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Sl. No. 11: Additional amount payable but not paid (due to reasons specified under Tables 6, 8 and 10 above)

11 Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					
To be paid through Cash					
Description	Taxable Value	Central tax	State / UT	Additional tax	Cess, if applicable
1	2	3			6
5%	Source Table 6,8 & 10				
12%					
18%					
28%	No Negative Reporting / Additional Tax paid Reporting				
3%					
0.25%					
0.10%					
Interest					
Late Fee					
Penalty					
Others (please specify)					

Can we pay through ITC

Table 12: Reconciliation of Input Tax Credit (ITC)		
PART IV		
Pt. IV	Reconciliation of Input Tax Credit (ITC)	
12	Reconciliation of Net Input Tax Credit (ITC)	
A	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	After Reversal etc. Net Figure
B	ITC booked in earlier Financial Years claimed in current Financial Year (+)	TRAN-1 Credit
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years (-)	ITC of 1718 claimed in 1819
D	ITC availed as per audited financial statements or books of account	<Auto>
E	ITC claimed in Annual Return (GSTR9)	7J of GSTR-9
F	Un-reconciled ITC	12D-12E ITC 1



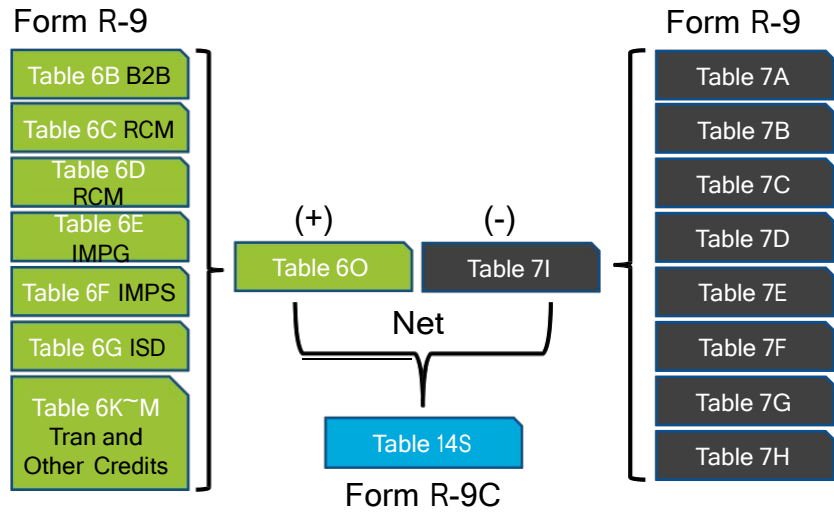
14 Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account				
	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
	1	2	3	
A	Purchases	AS per Books		As determined by Auditor  Source ITC Register  Excluding Block Credit  What about ITC Reversal?
B	Freight / Carriage	AS per Books		
C	Power and Fuel			
D	Imported goods (Including received from SEZs)	AS per Books		
E	Rent and Insurance			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)	Qua GSTIN		
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			

No bifurcation of CGST / SGST / IGST ?? How to recommend tax payment ??

N	Other Miscellaneous expenses			
O	Capital goods			
P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<<Auto>>
S	ITC claimed in Annual Return (GSTR9)			
T	Un-reconciled ITC			ITC 2

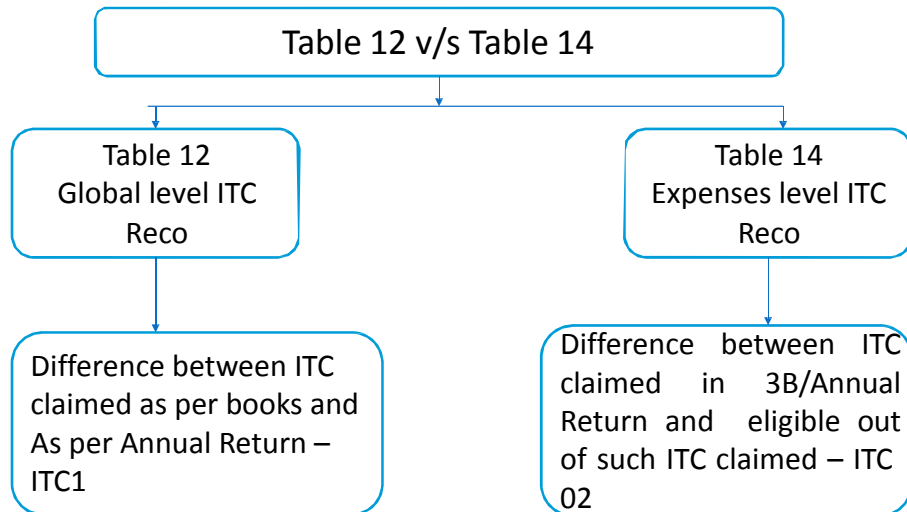
Table No.	Instructions
14	This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.

## Relationship between R-9 and 9C – ITC



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## Table 12 Vs Table 14 of GSTR-9C



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**Table 16 : GSTR-9C**

16	<b>Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)</b>	
	Description	Amount Payable
	Central Tax	
	State/UT Tax	
	Integrated Tax	
	Cess	
	Interest	
	Penalty	

Tax Payable due to ITC  
difference ITC1+ ITC 2

Table No.	Instructions
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

Pt. V	<b>Auditor's recommendation on additional Liability due to non-reconciliation</b>					
			To be paid through Cash			
	Description	Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Input Tax Credit					
	Interest					
	Late Fee					
	Penalty					

## Part B- Certification

2 Parts

Part I

Part II

Auditor / Firm of Auditor Auditing  
Financials statements &  
GSTR 9C are same

Auditor / Firm of Auditor Auditing  
Financials statements &  
GSTR 9C are different

Observation  
V/s  
Qualification

Observation & Remark

Qualification = Qualified Opinion



## Turnover Threshold and Relevant period

- ☞ Threshold 2 Crore
- ☞ The aggregate turnover to be reckoned for the period July, 2017 to March, 2018. (Press release dated 3<sup>rd</sup> July 2019)
- ☞ Value of all taxable supplies + exempt supplies + Export on PAN India level
- ☞ Excluding Taxes and supply on which GST is payable on RCM basis

## GSTR 9C - Audit or Reconciliation?

- ☞ CBIC Press release dated 3<sup>rd</sup> July 2019
- ☞ “The GST Act is clear in this regard. With respect to the reconciliation statement, CA’s role is limited to **reconciling the values** declared in annual return (**FORM GSTR-9**) with the audited annual accounts of the taxpayer. “
- ☞ CAs are not expected to go beyond the books of account in their recommendations under FORM GSTR-9C

## Table 14 of GSTR-9C

For Table 14 of GSTR-9C, whether Auditor is required to reconcile all expenses as per Profit and Loss account or only those expenses on which ITC is claimed?

CBIC Press release dated 3<sup>rd</sup> July 2019

“ It may be noted that only those expenses are to be reconciled where input tax credit has been availed”

- ☞ If no ITC claimed, no reporting in Table 14
- ☞ Values to be reported only for the period July 17 to March 18

## Matter under dispute and its reporting in GSTR-9C

E.g.

- ☞ Trans-1, Trans-2 credit claim of client is rejected by department, how to report such instances in GSTR-9C?
- ☞ Client has claimed benefit of zero rating on Export of Services but department has either rejected refund application or has issued SCN, what care GST Auditor will have to take while filing GSTR-9C?
- ☞ Rejection whether accepted by client?
- ☞ Rejection whether under litigation?
- ☞ Reporting in Part A basis Independent view of Auditor backed by proper disclosure in Part B

## Notice from Department for suspicious Purchase/ITC

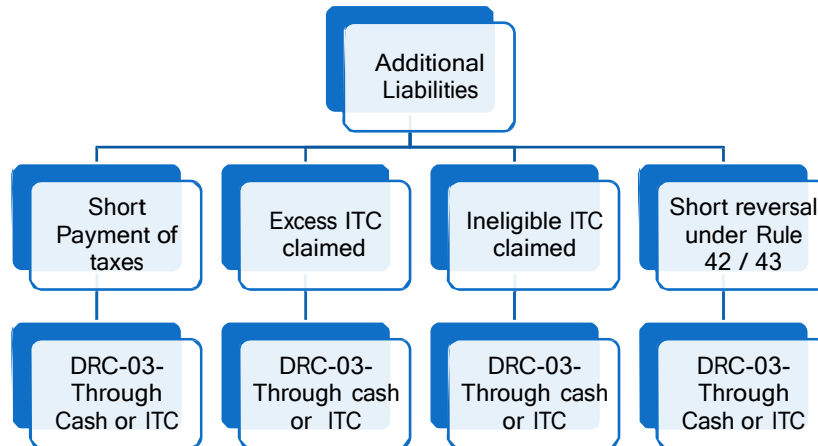
- ☞ Client has received notice from Department for suspected / bogus Purchase / ITC, what care GST Auditor will have to take while reporting in GSTR-9C?
- ☞ Whether Department claim is accepted by client and therefore ITC is either paid back or reversed?
- ☞ Whether Department claim is disputed by client
- ☞ Only notice is received and no further action
- ☞ Independent view basis records available.
- ☞ Appropriate disclosure in Part B
- ☞ What if client say, Sales as well as outward supply both were bogus?

## Huge difference in ITC claimed and Table 8A of GSTR-9

- ☞ Matter to be considered before reporting in Table 14
- ☞ CBIC Press release dated 18<sup>th</sup> October 2018, GSTR-2A is only for trade facilitation.
- ☞ RODO, ITC claimed post 20<sup>th</sup> October 18 only if appearing in GSTR-2A
- ☞ Whether all conditions of Section 16(2) are fulfilled?
- ☞ Whether Invoices are vouched?
- ☞ Whether payments are made to vendors within 180 days?
- ☞ Independent view basis records available.

## Additional liabilities identified through GSTR-9 / 9C

- Instructions in GSTR-9C mandates payment only in cash. No such provision in law
- If Tax payer is choosing payment through ITC disregarding instructions, Ideally payment in DRC-03 through ITC should be made before filing GSTR-9C



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## Impact of Additional GST Payment through DRC-03 in GSTR-9C

**Additional supply is disclosed and corresponding payment is made through DRC-3**

CBIC Press release dated 3<sup>rd</sup> June 2019

“Payments made through **FORM DRC-03** for any supplies relating to period between July 2017 to March 2018 will not be accounted for in FORM GSTR-9 but shall be reported during reconciliation in FORM GSTR-9C.”

- ☞ No disclosure in Table 7 of GSTR-9
- ☞ Table 9Q of GSTR-9C “Total amount paid as declared in Annual Return (GSTR 9) “ will not capture such payments through DRC-03
- ☞ Such liability will be included in Table 9P “Total amount to be paid”
- ☞ Therefore Difference will be captured Table 9R of GSTR-9C
- ☞ Difference to be explained as Reco Item in Table 10 of GSTR-9C

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## Impact of Interest Payment through DRC-03 in GSTR-9C

### Presume GST Auditor has worked out Interest liability [Not reported in GSTR-9]

- ☞ Refer CBIC Press release dated 3<sup>rd</sup> June 2019
- ☞ Interest liability to be disclosed by Auditor in Table 9L of GSTR-9C and therefore included in table 9P of GSTR-9C
- ☞ Table 9Q of GSTR-9C “Total amount paid as declared in Annual Return (GSTR 9) “ will not capture such interest payment
- ☞ Difference therefore will be captured in Table 9R of GSTR-9C “Unreconciled payment of amount (PT1)”
- ☞ Difference to be explained as Reco Item in Table 10 of GSTR-9C
- ☞ Interest payment has to be made in cash.

## Impact of TRANS-1 credit on GSTR-9C

- ☞ Trans-1 Credit to be reported in GSTR-9 (Table 7J)
- ☞ Trans-1 Credit to be reported in GSTR-9C (Table 12B)
- ☞ Trans-1 Credit not to be reported in GSTR-9C (Table 14) – Technical Guide ICAI
- ☞ Trans-1 credit therefore will not be reported in Table 14R
- ☞ Table 14S will include figures of Trans-1 Credit
- ☞ Difference will be captured in Table 14T of GSTR-9C “Un-reconciled ITC (ITC 2)”
- ☞ Difference to be explained as Reco Item in Table 15 of GSTR-9C

## Impact of ITC availed / reversed in 3B of FY 1819

- ☞ ITC of FY 1718 claimed in GSTR-3B of FY 1819 to be reported in GSTR-9 (Table 13)
- ☞ ITC reversal of FY 1718 offered in GSTR-3B of FY 1819 to be reported in GSTR-9 (Table 12)
- ☞ Such additional ITC claimed / reversed will be part of Table 14R of GSTR-9C
- ☞ Table 14S of GSTR-9C = Table 7J of GSTR-9.
- ☞ Table 14S of GSTR-9C excludes values reported Table 12 and 13 of GSTR-9
- ☞ Difference to be reported in Table 14T of GSTR-9C “Un-reconciled ITC (ITC 2)”
- ☞ Explain difference as Reco item in Table 15 of GSTR-9

## Impact of RCM liability of FY 1718 paid in GSTR-3B of 1819

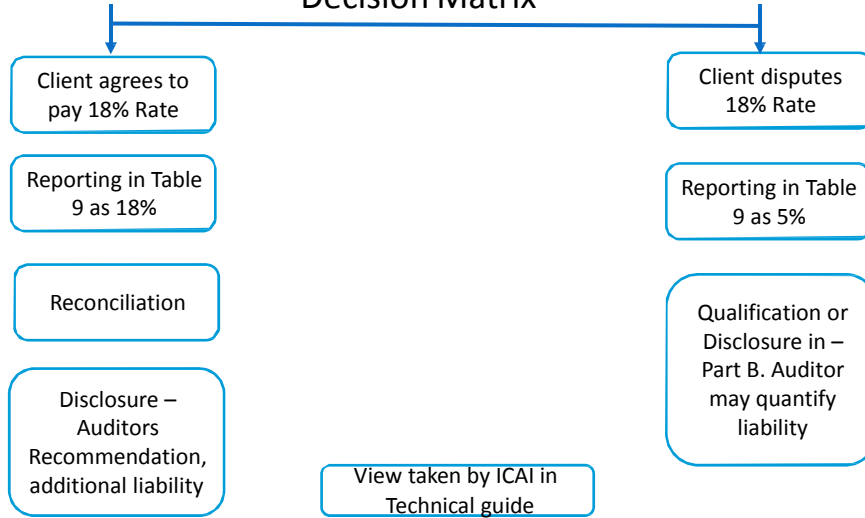
### RCM liability of FY 1718 paid in 1819 and claimed as ITC in 1819

Press release dated 3<sup>rd</sup> July 2019

- ☞ “It may be noted that since the payment was made during FY 2018-19, the input tax credit on such payment of tax would have been availed in FY 2018-19 only. Therefore, such details will not be declared in the annual return for the FY 2017-18 and will be declared in annual return for FY 2018-19”
- ☞ No disclosure in GSTR-9
- ☞ Difference might arise in Table 12F, if such ITC is accounted in Books of 1718, to be explained as reco item in Table 13
- ☞ No Difference in Table 14 as GST Auditor will allow such ITC only in 1819 on payment basis.

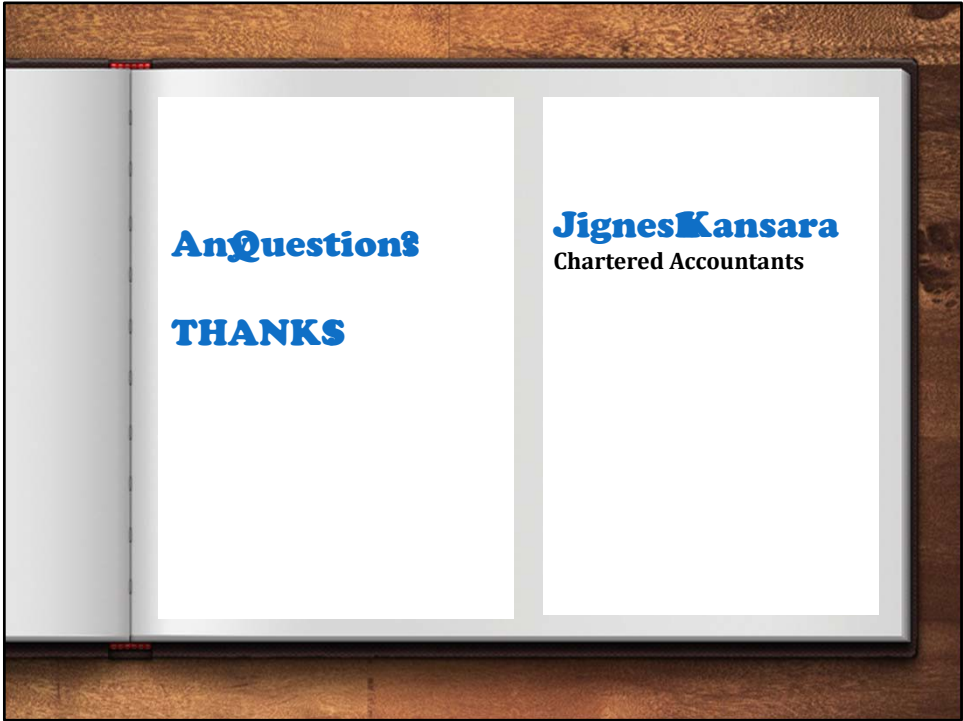
Client's View Outward supply is subject to 5% GST, AAR view in some other Tax payers case GST Rate 18%. Reporting by Auditor in such situation Client has disclosed liability even in AR @ 5%

### Decision Matrix



### Important Case Laws

- ☞ Patna High court decision in COMMERCIAL STEEL ENGINEERING CORPORATION reported in 2019-VIL-348-PAT
  - No interest liability for mere disclosure of ITC in GSTR-3B
  - Unless positive act of consumption of ITC, No interest
- ☞ Ghanshyam Lal & Co. Guj HC
  - Stay on GST on Import on CIF basis
- ☞ Interest Liability – Gross or Net ?
  - Minutes of 31<sup>st</sup> GST Council Meeting
  - Budget 2019 – Proposed amendment in Section 50 of CGST Act
  - Controversy – Amendment whether retrospective
  - Telganana High Court in Megha Engineering and Infrastructure – subsequently stay granted.
  - Landmark Life Style – Delhi HC – stay granted



**An Questions**

**THANKS**

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Chartered Accountants