

Technical Guide on Annual Return & GST Audit



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

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Foreword

With the implementation of the Goods and Services Tax (GST) from July 1, 2017, there has been a paradigm shift in indirect taxation structure in India from origin-based tax to destination based tax. Section 35(5) read with Section 44 and Rule 80(3) of the Goods and Services Tax (GST) Laws provides that every registered person, whose aggregate turnover during a financial year exceeds two crore rupees, is required to get his/her accounts audited and a copy of the audited annual accounts and a reconciliation statement, duly certified, in Form GSTR-9C has to be submitted on or before the 31st Day of December.

In this regard, the Government has notified Form GSTR-9C on 13th September, 2018 comprising Reconciliation Statement and Certification, which has to be certified by a Chartered Accountants.

Because of these developments, members have an opportunity as well as responsibility to assist the assesses in filing the statutory Form 9 and also in conducting the GST Audit. In view of the importance of the matter, the Indirect Taxes Committee of ICAI has come out with this 'Technical Guide on Annual Return & GST Audit'. This Guide has been comprehensively designed and contains clause-by-clause analysis of Form GSTR-9, 9A and Form GSTR -9C. I am confident that this important publication will assist our members in resolving any issues that might arise while conducting audit. I request my professional colleagues to equip themselves fully with all the required information and exercise due care while certifying this Form.

I appreciate the efforts put in by the Chairman and members of the Indirect Taxes Committee of the ICAI for undertaking this tedious task and coming out with 'Technical Guide on Annual Return & GST Audit' in such a short span of time.

I am sure our members and others professionals in the field would find this publication immensely useful.

Date: 16.10.2018

Place: New Delhi

CA. Naveen ND Gupta

President, ICAI

Preface

The Goods and Services Tax regime is revolutionary in the realm of commodity taxes and services tax. It has brought about a paradigm shift in the methodology of levying and collecting of taxes. It is an internationally recognized multipoint tax system providing for levy of tax on goods as well as services on the value addition occurring at every stage of business activity. GST being in the nature of a self-assessment tax, audit procedures have been introduced for error correction and ensuring proper compliance.

This Technical Guide on Annual return & GST Audit is an attempt to create awareness among professional, trade/ industry and also for the members to discharge their professional duties in a competent manner. Members would be assisting smaller clients in filing GSTR-9. Further they would be carrying out the audit under Section 35(5) along with drawing up reconciliation statement as required under Section 44(2) of the CGST Act, 2017 in Form GSTR-9C and certifying the same for those with a turnover of over 2 Crores.

An attempt has been made in this Guide to cover areas that are related to the basic principles, policies and special issues pertaining to the conduct of a Goods and Services Tax Audit; draw up and certify reconciliation statement in Form GSTR-9C and assist in filing GSTR-9 Form. This Guide does not deal with legal interpretations and rulings. This does not contain answers to all problems that may arise in the day-to-day audit work. In such cases, the GST auditor may have to apply his mind judiciously, keeping in view the intent behind the law, principles and policies.

The practical difficulties faced in filling these forms have been brought to the notice to the Government which are available at <http://idtc.icai.org/budget-memorandum.html> . The response of the Government is awaited.

Future changes in the GST Acts, Rules thereon, administrative policies and procedures may require making changes to this Guide from time to time.

The members who have already started assisting in filing of the Form-9 or conducting the GST audits and even those who are planning to start these activities could refer to this guide and give us their comments on any practical issues arising therefrom.

While, the general scheme of audit, the detailed steps, filling of forms and certification are outlined in the main part of the book, references and sample documents are incorporated in Annexures and Appendixes such as Standard Audit Program, Check list, Audit Working Papers, Notifications, etc. Therefore, these documents should also be perused to understand the entire gamut of the audit scheme under the GST Laws.

We are happy to acknowledge the support and assistance rendered by study groups, members of the core group namely CA. S Venkatramani, CA. A. Jatin Christopher, CA Rajesh

TR, CA. Gaurav Gupta, CA. Venugopal Gella, CA Shubham Khaitan , CA. Abhay Yagnesh Desai, CA. Hiren Pathak, CA Yash Daddha, , CA. Virender Chauhan , CA. Bishan Shah, CA Vinamar Gupta, CA. Kapil Vaish, CA. Ashu Dalmia, CA. Avinash Poddar and other members of the committee.

Last but not the least, I appreciate the dedicated efforts of the entire Secretariat of Indirect Taxes Committee.

The users are encouraged to provide suggestions for the improvement of this Guide at idtc@icai.in.

Place: Delhi
Date: 16.10.18

CA. Madhukar N. Hiregange
Chairman
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Chapter 1

Introduction to Goods and Services Tax Audit

Reference to the CGST Act, 2017, wherever stated, must be understood to mean and include the respective SGST Act, 2017 / UTGST Act, 2017 and wherever the appropriate IGST Act, 2017. While every care has been taken to include the relevant Rules, certain portions may have to be read and understood along with Rules framed to the respective State / UT / IGST legislations.

Introduction

The introduction of the Goods and Services Tax regime is a revolutionary step in the domain of commodity and services tax, which has brought about a paradigm shift in the methodology of levy and collection of taxes. It is an internationally recognized multipoint tax system, providing for levy of tax on goods as well as services on the value addition occurring at every stage of business activity. Today, it can be said that the GST, being a self-assessment tax, requires the introduction of audit procedures for ensuring its proper compliance.

The audit of accounts in Corporate Sector has been made compulsory by legislation over decades. In addition to the above, the specific legislations governing different types of entities also mandates audit under the respective statutes. Realizing the importance of audit of businesses which are essentially not governed by the Companies Act or any other special statutes, the Income-tax Act introduced audit of businesses that have crossed the turnover limit provided in Section 44AB of the Income-tax Act. This has always helped the Government to ensure its statutory compliance under the provisions of the Income Tax Act.

Under the Central Excise Act, 1944 and Service Tax Laws (vide Finance Act, 1994), special audit was prescribed under Section 14A and 14AA of Central Excise Act, 1944 and Section 72A of Finance Act, 1994. Special Audit was required to be conducted by a Chartered Accountant or a Cost Accountant in cases where the Commissioner of Central Excise had reasons to believe that the credit of duty availed of and utilized under the rules are not within normal limits or that there is a case of under valuation. However, there was no general provision for audit by Chartered Accountants based on the turnover limit.

Goods and Services Tax was introduced to consolidate most of the indirect taxes and also to increase the tax base with emphasis on compliance. At the same time, thrust was given to self-assessment processes whereby the tax payers are required to assess their tax liability and pay taxes. While doing so and also considering the challenges which the government may face in handling the volume of tax payers and transactions, technology support has been taken right from the time of its introduction.

In the self-assessment regime, it becomes essential to have checks and balance to protect the revenue's interest. The existing bureaucratic machinery would certainly be better placed if professionals are roped in. Because of this, the Government always looks for professional help. Invariably, they take the help of trained Chartered Accountants who are experts in accounting, statutory provisions, financial transactions, etc., and being a part of the ICAI set up by an Act of Parliament. This time, in addition to the Chartered Accountants the Government has also sought the help of Cost Accountants for the same.

Another , question related to the audit of records under any other law is whether one more audit is required, in terms of Section 35(5). According to the considered view of some experts, there is no need for conducting another audit of the financial statement, which is also supported by the requirement to issue certificate in Part II of GSTR 9C. It requires that only some , documents specified in clause (a) to (d) of the said certificate, are to be enclosed.

Meaning of Audit in General

Audit is a subject with which members of the accountancy fraternity are familiar. Auditing is a systematic and independent examination of the books and records of an entity to ascertain and report on the facts regarding its financial operations and results thereof. The systematic and independent examination of the books and records may be limited to transactions and performances of an entity for a stated purpose, say audit under GST. Such an audit may be conducted to ascertain whether they present a true and fair view of the financial transactions vis-a-vis returns filed with the authorities. This compulsory audit is intended to ensure proper maintenance of books of account and other records, in order to reflect the true turnover and purchase of a dealer and also to reflect the correctness of input tax claimed and output tax paid, to facilitate the administration of tax laws for his further assessment.

Objective of Audit under GST Law

The objective of the GST audit can be ascertained from the definition of Audit given in Section 2(13) of Central Goods and Services Tax Act, 2017 (CGST Act). The said definition reads as follows:

“audit means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify 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 the rules made there under.”

From the above, it can be deduced that:

- (a) Audit is examination of records, returns and other documents;

- (b) Those records, returns and documents might have been maintained or furnished under GST Law or any other law;
- (c) The examination is to verify the correctness of
 - (i) Turnover declared;
 - (ii) Taxes paid;
 - (iii) Refund claimed; and
 - (iv) Input tax credit availed;
- (d) The examination is also to assess auditee's compliance with the provisions of GST Act and Rules.

All this makes it clear that the objective of GST is to ensure the correctness of Turnover declared, Taxes paid, Refund claimed, and Input Tax Credit availed in addition to compliance of the GST Act and Rules. The intent is that the compliance of the GST law has to be confirmed by the GST audit.

The objective of Audit under GST as per the definition under Section 2(13) can be explained as follows:

Legal provisions of GST Audit

In order to understand the gamut of the GST Audit and its requirement, it is relevant for us to understand the legal provisions related to the GST audit. Two important provisions which are relevant and important in this context are Section 35(5) and Section 44(2) of the CGST Act.

In terms of Section 35(5) "every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of Section 44 and such other documents in such form and manner as may be prescribed".

In terms of 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".

In terms of Rule 80(3) of the CGST Rules "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 the audited annual accounts and a reconciliation statement, duly certified, in GSTR 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner".

Comment: Section 35(5) begins with the expression “every registered person whose **turnover** during a financial year exceeds the prescribed limit” whereas the relevant Rule 80(3) uses the expression “every registered person whose **aggregate turnover** during a financial year exceeds two crore rupees”. It must be noted that the word **turnover** has not been defined whereas the expression **aggregate turnover** has been defined. One may note that the expression **turnover in State or turnover in the Union territory** is defined. In this backdrop the following understanding is relevant:

- (a) Aggregate turnover is PAN based while turnover in a State / UT, though similarly worded, is limited to turnover in a State / UT, which is limited to a State;
- (b) It is therefore, reasonable to interpret that the word turnover used in Section 35(5) ought to be understood as aggregate turnover.
- (c) For the financial year 2017-18, the GST period consists of 9 months whereas the relevant Section 35(5) uses the expression financial year; Therefore, in the absence of clarification from the government, and to avoid any cases of default, it is reasonable to understand that to reckon the turnover limits prescribed for audit i.e., Rs. 2 crores one has to reckon the turnovers for the whole of the financial year which would also include the first quarter of the financial year 2017-18.

It can be seen that Section 35(5) read with Section 44(2) of the CGST Act provides that the following documents shall be furnished electronically by the assessee upon conclusion of the audit:

- (a) Annual Return;
- (b) Copy of the audited annual accounts;
- (c) Reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement in FORM GSTR 9C, duly certified;
- (d) Such other particulars, as may be prescribed

By Rule 80(3) the reconciliation statement shall be furnished in the GSTR 9C. The provisions of Section 44(2) require reconciliation of the figures declared in ‘*return furnished for the financial year*’ with the ‘*audited financial statement*’. It appears that the return furnished for the financial year refers to the annual return furnished.

In addition to the three provisions mentioned above, there are number of provisions which are relevant for carrying out audit or reconciliation. Most of these provisions are provided in **Appendix 1**.

Applicability of GST Audit

Section 35 of the CGST Act, deals with the maintenance of books of accounts, documents and

records. Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules relates to audit. In terms of the said section / rule, every registered person whose turnover in a financial year exceeds two crore rupees has to get his accounts audited by either a **Chartered Accountant** or a Cost Accountant.

Though the definition of Audit under Section 2(13) mandates certain aspects, there is no specific mention of methodology of audit or the manner of reporting either in the Act or the Rules, except for a certificate format which is notified as part of reconciliation statement in Form GSTR 9C.

Combined reading of the Section 35(5), 44(2) along with the notified forms, give rise to two situations: the first one is about, entities not required to be audited under any other statute in which case audit has to be carried out in terms of Section 35(5) and reconciliation statement to be drawn under Section 44(2) duly certified. The second is about entities that are required to be audited under any other statutes like the Companies Act, the Income-tax Act, the Co-operative Societies Act, etc., When the records of the entity are audited under any other statute, the reconciliation statement can be drawn up by the same auditor, who will also certify the same if he happens to be a Chartered Accountant. Alternatively, the reconciliation statement can be drawn up and certified by another Chartered Accountant or Cost Accountant.

As discussed earlier, when the GSTR 9C is drawn up by a professional who is different from the one who has carried out the audit, there is no requirement of audit of financial statements, the only requirement would be an examination of the books and records as is required under the GST law and to certify the correctness of the information furnished under GSTR 9C. The word “certify” indicates absolute level of assurance is expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures considered appropriate to reducing the engagement risk to zero. However, even in the Tax Audits done under Income Tax, it has been accepted that “truth and correctness” would mean a much higher level of verification, though not exactly 100%. Sampling techniques to cover substantial part of the value could be an option to be used in GST Audits.

Implications of GST Audit

Where a review is undertaken periodically, the discrepancies would be noticed at the time of omission / commission and corrective measures would be taken in a timely manner. Thus, it would lead to optimising credit availment as well as tax / other outgoes owing to proper planning and timely compliances.

A periodic review by way of receipt of information such as classification, correct determination of total and taxable turnovers, review of rates of taxes, proper application of relevant notifications, circulars, clarifications, Government orders and adherence to the tax compliances.

Unlawful claims for benefits / unethical tax management practices adopted by the assesseees would be filtered out, since tax professionals would intimate and persuade

the assessee of the consequences of such practices, and also bring out the discrepancies in their reports.

It is customary to expect that the departmental audit / assessment are conducted after the close of the financial year except in cases where investigations, inspections or special audits are taken up. Naturally, any levy of additional taxes either due to non-compliance or incorrect comprehension of the complex tax laws would result in taxes plus consequential interest and penalty.

Preparation for the GST Audit

Since the GST Audit would be undertaken for the first time, it demands significant preparation from both the auditor and the auditee. While the statutory audit (under the Companies Act) and tax audit (under the Income-tax Act) primarily rely on the financial records, the GST audit would require coverage of a larger cluster of records. The GST audit requires deep understanding of the GST laws, IT infrastructure of the auditee, the method in which the GST portal operates, applicability of the various notifications, circulars, clarifications, classification of goods and / or services, the nature of supplies, the manner of availment of credits together with its allowability or otherwise, maintenance of various records and documents specified therein, requirements of reporting and source of information, understanding of the business of the auditee etc. Apart from these issues, it is imperative that an auditor understands the basic functioning of the e-governance model. The audit coverage of all these records and documents would need substantial amount of preparation and time.

To start with, the following (among others) are the various steps an auditor can take in connection with the forthcoming GST audit:

- (a) Inform the concerned assessee about the applicability of the GST audit;
- (b) Confirm the eligibility to be the GST auditor under the related legislation and the guidelines issued by the ICAI;
- (c) Understand the nature of business, the products or services, requirements of records to be maintained, and advise the auditee to maintain accounts and records so required, beforehand;
- (d) 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
- (e) Preparation of the detailed audit program and list of records to be verified;
- (f) Host of relevant reconciliations.

Consequences of failure to submit the annual return and not getting the accounts audited

Section 47(2) provides that in case of failure to submit the annual return within the specified time, a late fee shall be leviable. The said late fee would be Rs. 100 per day during which such failure continues subject to a maximum of a quarter percent of the turnover in the State/UT. There would be an equal amount of late fee under the respective State/UT GST law.

However, there is no specific penalty prescribed in the GST Law for not getting the accounts audited by a Chartered Accountant or a Cost Accountant. Therefore, in terms of Section 125 of CGST Act he shall be subjected to a penalty of up to 25,000/-. This section deals with the general penalty that gets attracted where any person, who contravenes any of the provisions this Act, or any rules made thereunder for which no penalty is separately provided. Similar provision also exists under the State/UT GST law as well. It is possible that since the return is to be accompanied with the report, if not done it may amount to non-filing of return and late fee also may be levied.

Difference between a Certificate and a Report

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".

Thus, where a certificate is issued, the Chartered Accountant shall be responsible for factual accuracy of what is stated therein. In case of a report, he is responsible for ensuring that the report is based on the factual data, true and fair (or in some cases true and correct) to the best of his belief, knowledge and information furnished to him.

The word 'certificate' as described in the laws and regulations or even in the contracts that an entity might have entered into can normally be associated with reasonable assurance. However, depending upon the circumstances and based upon the nature, timing and extent of the procedures which a practitioner can perform, the practitioner can conclude that a reasonable assurance cannot be expressed on the subject matter of the "certificate" and only limited assurance/ conclusion can be given. The practitioner's procedures in case where reasonable assurance is to be expressed would be substantially different (and more extensive) from circumstances where limited assurance is to be expressed.

Audit of non-filers and Unregistered Persons

1. The word or expression **non-filer** has not been defined in the GST laws. A Non-filer is a Registered Person who is liable to file the **return or statement periodically** but has failed to do so. The heading in Section 62 of the CGST Act reads **Assessment of non-filers of returns**. It must be understood that headings are words placed at the head of a chapter, Paragraph etc., or at the front or top of anything. They do not have any legal significance.
2. A **non-filer** is a taxpayer who has not met his tax filing obligation by the due date of the return / statement or the approved extended due date. Non-filers and unregistered non-compliant persons are normally misunderstood to be of the same class, but they are different. The differences are given below:

An unregistered non-compliant person under GST is the person liable to apply and obtain **registration** but has failed to do so.

Non-filer is a person who is already registered and is therefore liable to file the **return/ statement** but has failed to do so.

3. Under Section 62 of the CGST Act, where a registered taxable person fails to furnish the return (non-filer), the proper officer may, after allowing a period of 15 days from the date of service of the notice under 46 of the CGST Act 2017, proceed to assess the tax liability of the person to his best judgment, taking into account all the relevant material which is either available on records or which he has gathered.¹
4. Under Section 63 of the CGST Act, where a taxable person (i.e. a person liable to take registration) fails to obtain registration, the proper officer may decide to assess the tax liability of the said taxable person to his best judgement for the relevant tax periods and issue an assessment order within a period of five years from the due date for filing of the annual return for the year to which the tax not paid relates to.
5. Best Judgement Assessments are made either ex-parte or by rejecting the accounts or plea of the Registered person. In such cases, no records or documents are furnished and claims are not substantiated. Records and evidence produced before the proper officer are rejected, whether wholly or partly, due to unreliability, incorrectness or incompleteness.
6. **Unregistered Persons otherwise liable to take registration**
If any person liable to pay tax has failed to apply for registration, though liable to get himself registered, the proper officer shall assess the tax payable by such person during

¹ Such persons would pay the tax liable with interest penalties. However he may not file the return, therefore GSTN needs to permit the future return filing process without filing the earlier return.

the period he / she remains **unregistered**. Such order shall be passed under Section 63 of the CGST Act, after:

Serving a notice on and giving an opportunity of being heard to the said person according to the best judgment of the assessing officer.

Within 5 years from the due date for filing of the annual return of the relevant year.

7. **Non-filers**

If a registered taxable person **fails** to file:

The **monthly return** prescribed for a person liable to pay tax;;

The **quarterly return** for a person opting for **composition**;

The monthly return for a person **deducting tax at source**;

The monthly return in case of an **Input Service Distributor**;

The final return in the case of a person who has applied for **cancellation** even after the notice has been served to him.

Then the proper officer can proceed under Section 62 of the CGST Act 2017 to assess such person to his best judgment after a period of 15 days after the date of serving notice under Section 46 of the CGST Act 2017. Such assessment order can be passed within: -

- ✓ A period of 5 years from the due date of the annual return for that year or the actual date of filing of the annual return of that year, whichever is earlier.
- ✓ A period of 3 years from the due date of the annual return for the relevant year or the actual date of filing of the annual return for that year, whichever is earlier, in any other case.

8. **Whether audit under Section 35(5) is applicable to Non-Filers or un-registered Persons liable to take registration?**

The audit under Section 35(5) of the CGST Act to be conducted by CA or CWA is applicable only to a Registered Person. A non-filer is a Registered Person under Section 25 of the CGST Act; the audit is required to be conducted under Section 35(5) of the said Act, if it satisfies the condition stated in the section. Practically such a person would not have filed his returns at all and therefore Form 9 & 9C would not be possible. Therefore, there may be no audit for him.

However an unregistered Person who is liable to take registration under Section 25 of the CGST Act is a person who has to pay tax. But the said unregistered Person is not a Registered Person defined under Section 2(94) of the CGST Act 2017. Hence in terms of Section 35(5) of the Act, audit is not required.

9. Whether a non-filer or an unregistered Person can be subjected to any other Audit under GST?

Under Section 66 of the CGST Act, a registered person can be ordered to go for an audit by the department by nominating a CA or CWA in accordance with the conditions laid down in Section 66 of the said Act. Thus, a special audit cannot be conducted against an unregistered taxable person but can be ordered in respect of the non-filer. In such cases, the CA or CWA conducting the Special Audit shall audit the available information or records of that period also, in respect of which it was unregistered, but was liable to be registered.

Illustrations

- (a) M/s ABC have been holding the GST registration but have not filed the statement of returns in GSTR 3B. Notice is issued under Section 46 for failure to file returns. Even then, no returns are filed. In such a case, M/s ABC become 'non-filer'.
- (b) M/s XYZ, on registration have been filing statement of returns I GSTR 3B. However, Annual Return in GSTR 9 has not been filed. Proper Officer issues a notice for failure to file Annual Return within 15 days. Even then, no Annual Return is filed within the time permitted. In such a case, M/s XYZ become 'non-filer'.
- (c) M/s PQR's turnover during the financial year exceeds Rs.20 lacs and are liable to be registered under Section 22. They fail to obtain registration. In such a case, M/s PQR is not a 'non-filer' but one 'liable to register'.

A non-filer is a person who does not file returns or statements within due dates. But it is possible that his books and records reflect aggregate turnover beyond the threshold prescribed for audit under the GST laws. In such situations the non-filer is required to get his books and records audited and mandated to file his annual return in GSTR 9 and the Reconciliation Statement in GSTR 9C. A non-filer may also be subject to special audit under the provisions of Section 66 of the CGST Act, 2017.

On the other hand, an unregistered person, even if his aggregate turnover exceeds the prescribed limit, is not required to get his accounts audited under Section 35(5) of the CGST Act.

Conclusion

The GST audit places a huge responsibility on the auditor, and it is important that the auditor is aware of the nature and complexity of the business / operations of the auditee. When an auditee approaches a Chartered Accountant for the first time, he must exercise due caution in assessing how compliant the auditee is, from a GST stand-point. It may be advisable that he

prepares a suitable standard questionnaire (depending on the nature of business and facts and circumstances of each case) to become familiar with the business, modus of operation etc. It is important to bear in mind that / complicated questionnaire may not be effective, even if prepared for obtaining a comprehensive understanding of the business in question. The auditor may obtain a brief from the auditee on the questionnaire to get the best results.

Chapter 2

Auditor and their Appointment*

Important points relating to the auditor

1. An understanding and analysis of the provisions of Section 35(5) read with Section 44(2) and other related provisions, the following facts emerge:
 - (a) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited:
 - (i) by a Chartered Accountant; or
 - (ii) By a Cost Accountant.
 - (b) The registered person is required to submit electronically a copy of the:
 - ✓ audited annual accounts;
 - ✓ annual return in the prescribed form **GSTR 9 (refer Appendix 2 for GSTR 9)**;
 - ✓ reconciliation statement, duly certified, reconciling the value of supplies declared in the return furnished for the financial year along with the audited financial statement in **GSTR 9C (refer Appendix 3 for GSTR 9C)**; and
 - ✓ such other particulars as prescribed;

On or before the 31st day of December following the end of the financial year.

 - ✓ Such documents are to be submitted electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
2. In terms of Section 2(1)(b) of The Chartered Accountants Act (No. 38 of 1949) [as amended by The Chartered Accountants (Amendment) Act, 2006 (No. 9 of 2006)] "Chartered Accountant" means a person who is a member of the Institute;
3. In terms of Section 2(2) of The Chartered Accountants Act [as amended by The Chartered Accountants (Amendment) Act, 2006] a Chartered Accountant in practice is defined as "A member of the Institute who shall be deemed "to be in practice", when individually or in partnership with chartered accountants in practice, he, in consideration of remuneration received or to be received,—
 - (i) engages himself in the practice of accountancy; or

* **Note 1:** Reference may be made to the Compilation of Ethical Standard Board of the ICAI relating to GST Audit provided as **Appendix 6** for understanding the guidelines related to the ethical and professional conduct of the members.

* **Note 2:** Certain parts of this chapter have been extracted from a "Handbook on KVAT Audit, 2003 published by the Institute of Chartered Accountants of India.

- (ii) offers to perform or performs services involving the auditing or verification of financial transactions, books, accounts or records, or the preparation, verification or certification of financial accounting and related statements or holds himself out to the public as an accountant; or
- (iii) renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data; or
- (iv) renders such other services as, in the opinion of the Council, are or may be rendered by a chartered accountant in practice;

and the words “to be in practice” with their grammatical variations and cognate expressions shall be construed accordingly”.

Explanation: ~ An associate or a fellow of the Institute who is a salaried employee of a chartered accountant in practice or a firm of such chartered accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of articled assistants.

4. Institute of Chartered Accountants of India, a body corporate

In terms of Section 3(1) of The Chartered Accountants Act “All persons whose names are entered in the Register at the commencement of this Act and all persons who may hereafter have their names entered in the Register under the provisions of this Act, so long as they continue to have their names borne on the said Register, are hereby constituted a body corporate by the name of the Institute of Chartered Accountants of India, and all such persons shall be known as members of the Institute”.

5. Fellows and Associates

In terms of Section 5 of The Chartered Accountants Act:

- (1) The members of the Institute shall be divided into two classes, designated respectively as associates and fellows.
- (2) Any person shall, on his name being entered in the Register, be deemed to have become an associate member of the Institute and be entitled to use the letters A.C.A. after his name to indicate that he is an associate member of the Institute of Chartered Accountants.
- (3) A member, being an associate who has been in continuous practice in India for at least five years, whether before or after the commencement of this Act, or whether partly before and partly after the commencement of this Act, and a member who has been an associate for a continuous period of not less than five years and who possesses such qualifications as the Council may prescribe with a view to ensuring that he has experience equivalent to the experience normally acquired as a result of continuous practice for a period of five years as a

chartered accountant shall, on payment of such fees, as may be determined, by notification, by the Council, which shall not exceed rupees five thousand and on application made and granted in the prescribed manner, be entered in the Register as a fellow of the Institute and shall be entitled to use the letters F.C.A. after his name to indicate that he is a fellow of the Institute of Chartered Accountants:

Provided that the Council may with the prior approval of the Central Government, determine the fee exceeding rupees five thousand, which shall not in any case exceed rupees ten thousand.

6. Certificate of practice

In terms of Section 6 of The Chartered Accountants Act:

No member of the Institute shall be entitled to practice whether in India or elsewhere unless he has obtained from the Council a certificate of practice;

Provided that nothing contained in this sub-section shall apply to any person who, immediately before the commencement of this Act, has been in practice as a registered accountant or a holder of a restricted certificate until one month has elapsed from the date of the first meeting of the Council.

7. Section 24: Penalty for falsely claiming to be a member, etc.

Section 24: Any person who —

- (i)
- (ii) being a member of the Institute, but not holding Certificate of Practice represents that he is in practice or practices as a chartered accountant, shall be punishable on first conviction with fine which may extend to one thousand rupees, and on any subsequent conviction with imprisonment which may extend to six months or with fine which may extend to five thousand rupees or both.

8. Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules provides that in certain circumstances the accounts are to be audited by a chartered accountant. In terms of the above definition and as per the provisions of The Chartered Accountants Act, no member can practice without holding a certificate of practice. Therefore, only a chartered accountant holding a certificate of practice can audit accounts. Similarly, Section 2(2) of The Chartered Accountants Act provides that a member of the Institute is also deemed to be in practice when he provides services in partnership with chartered accountant(s). In view of this provision, the audit can also be conducted by a firm of chartered accountants. In such a case, it would be necessary to state the name of the partner who has signed an audit report on behalf of the firm. A member of the Institute can practice either in his individual name or by using a trade name e.g. 'XYZ and Co.' or 'XYZ and Associates'. The member signing

the report as a partner of the firm or in his individual capacity or on behalf of the trade name should also give his membership number below his name.

The relevant provisions cited supra do not stipulate that the statutory auditor appointed under the Companies Act or other similar statutes can only do the job of auditing. As such, the audit can be conducted either by the statutory auditor or by any other chartered accountant who is in full time practice or by a Firm of chartered accountants.

9. The Council of ICAI at its 242nd meeting as passed a Resolution, effective from 1st April 2005, that any member in part time practice (holding a certificate of practice and also engaging himself in other business or occupation) is not entitled to perform the attest function. The audit under the GST Laws being an attest function, the resolution of the Council is applicable to this audit too. Therefore, any member in part time practice cannot perform an audit under the GST Laws.
10. A member in part time practice can be the partner of a Firm of chartered accountants, but if the audit under the GST Laws is to be conducted by a firm, then the audit has to be conducted only by a member who is in full time practice. In other words, a partner holding a part time certificate of practice cannot sign the audit report / certificate under the GST Laws. The Council's resolution on part time practice passed at its 242nd meeting held in April 2004 at New Delhi as published in the Chartered Accountants Journal for the month of June 2004 (Page 1392) is attached as **Appendix 4**. The decision clarifies that certain circumstances like engagement in part time lecturer ship, editorship of magazine etc. are not considered as part time practice, subject to the condition mentioned in the resolution.
11. It is possible for a registered person to appoint two or more chartered accountants as joint auditors under the GST Laws in which case the audit report would have to be signed by all the joint auditors. In case of disagreement, they can give their report separately. In this regard, attention is invited to SA 299 — **Responsibility of the Joint Auditors**. The responsibility of Joint Auditors under the GST Laws would be the same as in the case of other audits, such as e.g. audit under the Companies Act or the Income- tax Act.
12. It is also possible for a registered person to appoint separate auditor(s) under the GST Laws for conducting audit in respect of any distinct person / branch / division / additional place of business / business vertical etc., [within the same State or Union Territory or in different States or Union Territories] and there could be separate auditor(s) for a principal place of business. In such a case, the branch auditor(s) would have to submit report(s) / certificates to the management or, if directed, to the auditor(s) appointed for conducting the audit for the principal place of business and such reports would have to be considered and dealt with appropriately by such auditor(s) while consolidating the report for the business as a whole.
13. The GST Laws do not prohibit a relative or an employee of the registered person being

appointed as an auditor under Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules. It may, however, be noted that as per the decision of the Council (reported in the Code of Conduct under clause (4) of Part I of the Second Schedule), a chartered accountant who is in the employment of a concern or in any other concern under the same management cannot be appointed as an auditor of that concern. Further, as per the decision of the Council, a member who is not in full time practice cannot carry out attest function on and after April 1 2005. Therefore, an employee of the registered person or an employee of a concern under the same management cannot audit the accounts of the registered person under Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules. It may also be noted that under the Second Schedule of the Chartered Accountants Act, if a member furnishes / gives an audit report in the case of a concern in which he and / or his relatives have substantial interest, it would be necessary for him to disclose his interest in the audit report. This is equally applicable to audit under Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules. Relevant extracts from the Code of Ethics published by the ICAI relating to disclosure of substantial interest by a chartered accountant are given in **Appendix 5**.

14. A Chartered Accountant / firm of Chartered Accountants, appointed as tax consultant/s of the registered person can conduct audit under Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules. With regard to audit under the Companies Act, the Council has clarified that the statutory auditor of a Company cannot be its internal auditor. The same principle can be applied in respect of audit under the GST Laws. A view has been published in the 'A Guide to MVAT Audit' in chapter III, para 11 that "*an internal auditor of the dealer cannot conduct audit because vat audit being an audit under a statute, the same principle would apply*". Similarly, on announcement made on 28th September 2018 clarified that the Council of the Institute of Chartered Accountants of India, in its 378th meeting, stated that "an Internal Auditor of an entity cannot undertake GST Audit of the same entity. This is based on a view taken in the context of audit under Income-tax Act.
15. Section 144 of the Companies Act restricts the auditor from rendering certain services. This is a new provision in the Companies Act. One of the restricted services in Section 144(h) is – Management Services. The Companies Act does not define what constitutes Management Services, but, in common parlance it is understood that the, services done by the management constitute management services. Since, audit under the GST Act is an audit under a statute, the restriction imposed by Section 144(h) for an auditor of not rendering certain services, shall not be applicable.
16. Guidance note on the independence of auditors mentions that the member is expected

to be similarly independent in the discharge of his duties as a tax consultant or as a financial adviser. It is set out that members are not permitted to write the books of accounts of their auditee clients. In the context of the GST law question arises where the scope of work involved, advice, preparation of GST returns would it affect independence of the auditor whereby they are restricted to carryout statutory audit.

17. A chartered accountant should not accept the audit of a registered person to whom he is indebted for more than rupees ten thousand. Reference can be made to the compilation of Ethical Standard Board as provided in **Appendix 6**, whereby a member of the Institute of Chartered Accountants of India shall be deemed to be guilty of professional misconduct if he accepts appointment as auditor of a concern while he is indebted to the concern or has given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for an amount exceeding rupees ten thousand. For this purpose, the limit of Rs. 10,000 shall be the aggregate amount in respect of the proprietor and/or the partner/s of the firm of chartered accountants.
18. The Council has issued a Notification No. 1-CA(7)/60/2002 dated 8th March 2002 effective 1st April 2002 (**Appendix 7**) whereby a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of a Public Sector Undertaking/ Government Company/Listed Company and any other Public Company having a turnover of Rs. 50 crores or more in a year and accepts any other work or assignment or service in regard to the same undertaking/Company on a remuneration which exceeds the fee payable for carrying out the statutory audit of the same undertaking/Company.
19. The above restrictions shall apply in respect of fees for other work or service or assignment payable to the statutory auditors and their associate concerns put together. As per the said notification, the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include:—
 - (i) audit under any other statute;
 - (ii) certification work required to be done by the statutory auditor. and
 - (iii) any representation before an authority.
20. Since the obligation for audit has been specified in Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules, it would be considered as an audit under any other statute for the purpose of this notification and thus the above restriction shall not apply in respect of audit fees.

A. Appointment of the Auditor

A registered person liable to get his accounts audited under the provisions of Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules is required to appoint a Chartered Accountant or a firm of Chartered Accountants as a GST Auditor. The provisions of Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules do not prescribe the methodology for such an appointment.

Normally, a GST auditor so appointed, must accept an appointment in the following manner:

1. The registered person must issue a letter of appointment to a Chartered Accountant / a firm of Chartered Accountants appointing him / them as his GST Auditor. The said letter of appointment must be signed by a person competent to appoint such an auditor. In case of a company or certain other legal entities, the appointment must be made following the procedures or policies of the entity viz a Board Resolution. There are no specific provisions either under the GST Laws or under the Companies Act. To the best of our knowledge no specific instructions / guidance regarding the procedure of appointment by a corporate entity is readily available. However, it is recommended that based on the guidance note issued by the ICAI in respect of Section 44AB of the Income-tax Act, a 'Board Resolution' must be obtained from the said entities. In case of non-corporate entities, a letter from the authorized person may be obtained.
2. In case different auditors are appointed for different branches / business units of the registered person within the same State and under the GST Laws it would be advisable to incorporate the fact that the appointment is for a particular person, branch or business unit, specifying the names and addresses of the Principal Auditor with an instruction that the Branch GST audit report must be sent to such Principal Auditor. The GST Auditor of the main or principal branch is required to consolidate the accounts and incorporate the findings of the branch auditors in the main GST audit report.
3. In case of a corporate entity which has opted for multiple registrations for multiple businesses / units as permitted under the GST laws, the auditor is advised to verify the prescribed conditions imposed by the GST Laws / Commissioner as regards the permission for multiple registrations. In this scenario, a question which may arise is whether a single audit report would suffice, or separate audit reports are to be furnished. In our view, the GST Auditor has to furnish separate audit reports for each registration obtained by the registered person.
4. The letter of appointment must be in terms of "SA 210 – Terms of Audit Engagement" indicating the terms of the engagement, and the scope and extent of the coverage. In case joint auditors are appointed by the registered person under the GST Laws then the name and address of such joint auditors must be specified in the letter of appointment.

The letter of appointment may also stipulate the fee / remuneration for the appointee. Normally, the said letter of appointment must be duly acknowledged by the GST auditor and accordingly a letter of acceptance of audit should be issued to the registered person [Refer to **Appendix 8** for suggested format of letter of appointment and acceptance].

Even in respect of certain entities such as the Department of a State or Central Government, the provisions of the GST Laws would equally apply.

B. Acceptance

- (a) Prior to accepting the GST audit assignment, a GST auditor is expected to ensure that he is eligible to conduct the audit. It may be noted that under the GST Laws there are no ceilings in respect of the number of audit assignments that an auditor can accept.
- (b) The Council of the ICAI is of the view that, communicating with the member who has done the work previously would be a healthy practice, in every case where a member is required to give a report for a special purpose. This would be proper also in view of the provisions of Clause 8 of Part I of the First Schedule of the CA Act. Hence it is recommended for a member accepting a GST audit assignment to communicate with a member who conducted the audit under the erstwhile laws in the prior year(s). While communicating, it would be advisable to find out if the member did not accept the appointment for any professional or any other reasons. -. It may be noted that, the GST auditor is not required to communicate with the statutory auditor who has conducted the audit of the registered person under any other law being in force during his time.
- (c) A GST auditor is not required to communicate about his appointment or acceptance of an audit to the departmental authorities.

C. Audit Fees

There are no separate guidelines issued / prescribed by the ICAI in respect of Audit fees for an audit under the GST Laws. The minimum recommended scales of fees for professional services issued by the ICAI from time to time may be adhered to. Normally, a GST auditor is expected to charge his audit fee based on the quantum of work, scope of the engagement, personnel deployed etc. It must be appreciated that the turnover (aggregate turnover) of a registered person, quantum of tax paid, refunds envisaged etc., cannot be a basis for fee to be charged. Fees cannot be fixed on the basis of percentage of trading profits or any such method.

D. Removal / Resignation of a GST auditor

- (a) Can a GST auditor be removed by a registered person on the basis of facts and circumstances of each case. Under the GST Laws there is no specific procedure or provision for such removal. It is possible for a registered person to remove the GST auditors on any valid ground viz., incompetence, delay in the submission of reports;

unreasonable delay in conducting an audit etc. However, a GST auditor cannot be removed on the ground that he has given an adverse report or on the possibility of him qualifying the report. In the case of unjust removal, it is possible for the committee of the ICAI to intervene. If it happens,, the ICAI directs that the said audit assignment must not be accepted by any Chartered Accountant of firm of accountants. Reference can also be made to ICAI's pronouncements, if any, in this regard.

- (b) A GST auditor duly appointed by a registered person can resign from the audit engagement after giving prior notice to the registered person who has appointed him by citing reasons for not conducting the Audit. In such a situation the board of directors / authorized person of the registered person can appoint another chartered accountant/ firm as the GST auditor.

E. Submission of Statement and Certificate under GSTR 9C

The registered person is required to submit GSTR 9C along with other documents on the common portal on or before the due date as prescribed under the GST Law. The GST Law does not specifically put any responsibility on the GST auditors for submission of the GSTR 9C. Similarly, a GST auditor is also not required to furnish a copy of the report to any other agency or to the department. Practically it is still not clear whether GSTR 9C would have to be certified by the Chartered Accountant manually or electronically and also the methodology of submission on common portal. The last one is expected to be clarified by the Government shortly.

In case a GST auditor is appointed after due date for the submission of the report or is appointed at a time when adequate time is not provided to furnish his audit report within the due date, then he should mention the said fact in his acceptance letter.

F. Conflict of Interest and Other related Matters

The auditor cannot have any conflict of interest while carrying out his professional work which also covers the statutory audit or tax audit. In this context it is important for the auditor to note the following points while accepting audit certification under Section 35(5) read with Section 44(2).

1. Chartered Accountants are governed by "The Chartered Accountants Act" and regulations framed there under. The Institute of Chartered Accountants of India has formulated the Code of Ethics (COE) for Chartered Accountants. In formulating the Code of Ethics for the profession, the Institute has always considered the motto "Pride of service in preference to personal gain" as a litmus test. User expectations and public perceptions are crucial criteria while formulating the Code of Ethics so that there should not be any gap between the "Standards expected" and "those prescribed". The success of the profession of accountancy is dependent upon a self- imposed Code of Ethics. The COE is essential to command the respect and confidence of the general public.

The COE recognizes that the objectives of the accountancy profession are to work for the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirements. Some of the issues, which are commonly raised in regard to different aspects of the GST audit vis-a-vis the liabilities / obligations of the GST auditor, are considered hereunder.

2. The liability of the GST auditor in respect of GST audit would be the same as in any other audit assignment. When any question relating to the audit conducted by the GST auditor arises he is answerable under the Chartered Accountants Act to the Council. In all matters concerning the GST audit, the Institute's disciplinary jurisdiction of the institute would prevail.
3. In case a dealer is found guilty of having concealed his turnover or tax liability, it would not *ipso facto* mean that the GST auditor is also responsible. If the Assessing Officer comes to the conclusion that the GST auditor was grossly negligent in the performance of his duties, he can refer the matter to the Institute so that appropriate action can be taken against him under the Chartered Accountants Act.
4. The Assessing Officer or any other authority who is authorised to issue summons to the registered person and call for evidence or documents, can call the GST auditor who has audited the accounts to give evidence or produce documents (other than his working papers) on which he has relied upon before certifying.
5. If the actual work relating to the examination of books and records is done by a qualified assistant of a firm of chartered accountants and the partner of the firm signing the audit report has relied upon his work, action, if any, action for professional negligence can be initiated against the member who has signed the report and in such an event, it would be open for the member concerned to prove that he has taken due care and diligence in the performance of his duties and is not aware of any reason to believe that he should not have so relied.
6. If the qualified assistant (whether or not holding the certificate of practice) is found to be grossly negligent in the performance of his duties, the Institute can take disciplinary action against the qualified assistant.
7. A GST auditor can accept the assignment of tax representation.
8. Under the COE, GST auditor cannot charge professional fees by way of percentage of turnover or percentage of profits. In this context, reference is invited to Clause (10) of Part I of the First Schedule to the Chartered Accountants Act and the commentary on the subject at page Nos. 116-117 of the Code of ethics (2003 Reprint of Ninth Edition). Certain exceptions are made in Regulation 192, but these exceptions do not apply in respect of charging fees for GST audit.
9. The opinion expressed including recommendation by the GST auditor is not binding on the dealer. If the GST auditor has qualified his report and expressed an opinion on a

particular item, the registered person may take a different view and may not take steps on the advice given by the GST auditor.

10. In case a member is a Director of a Company, the financial statements of which are to be audited and/or opinion has to be expressed, he should not undertake an audit of that Company. This applies to the GST audit also.
11. Section 226 of the Companies Act specifically prohibits a member from auditing the accounts of a Company in which he is a director or an employee of the Company or in the employment of an officer of the Company. Although the provisions of the aforesaid section are not specifically applicable in the context of audits performed under other statutes, e.g., GST audit, the underlying principle of independence is equally applicable. However, where a member undertakes GST audit of such a business or enterprise, he should disclose his interest while expressing an opinion.
12. Holding of substantial interest by a partner or a relative of the member in the business or enterprise of which an audit has to be carried out and opinion has to be given on the financial statements, may affect the independence of the member, in the performance of his professional duties. Therefore, a member may, not to compromise his independence, desist from undertaking the GST audit of such business or enterprise.

Relative means the spouse, brother or sister or any lineal ascendant or descendent of the member. Please refer to the definition of "Relative" given in Appendix (9) to the CA Regulation, 1988.

Chapter 3

Audit Approach (Audit Planning, Strategy and Execution)

There are no prescribed or specified approaches for conducting audit under the GST laws. Similarities can be drawn between a GST Audit and / or Tax Audit under Section 44AB of the Income-tax Act and audit under the Companies Act. The GST Auditor is not required to express his opinion on truth and fairness of the financials when it is audited by others. In any case, he is required to certify the correctness and completeness of certain reconciled data. The verification would necessarily have to be substantially more than the opinion on truth and fairness.

In this background certain time-tested methods of conducting an audit have evolved into guidelines, which among others are as follows:

- (a) Obtaining prior knowledge of the business and comparing them with similar businesses;
- (b) Preparing a master file of the clients (permanent master file);
- (c) Discussing on with the audit team on the methodology to proceed with the audit;
- (d) Studying and evaluating systems (including business systems) and internal control of the business entity;
- (e) Assessing the audit risks and deploying of suitable personnel;
- (f) Assessing the risk appetite of the business entity;
- (g) Preparing of an audit plan / audit program and conducting the audit accordingly;
- (h) Reviewing meetings with the audit team;
- (i) Drawing conclusions on the basis of audit evidence obtained in the course of conducting the audit and a discussion with the client on the observations and findings;
- (j) Discussing with the registered person and obtaining various management certificates;
- (k) Reporting the observations in the prescribed statutory format, if any, or evolving a suitable format of reporting;
- (l) Maintaining Audit working papers file (Filing of documents either in permanent file or working papers file);
- (m) Concluding the audit and intimating the management.

Note: Certain parts of this chapter have been extracted from “a Handbook on KVAT Audit, 2003 published by the Institute of Chartered Accountants of India

While adhering to each of the above stages of audit, an auditor should bear in mind the scope of his engagement, objectives of the audit as well as the requirements of the statute. The audit tools to be used for conducting the GST audit depend upon the environment in which the audit is being conducted. In an IT (information technology) record keeping environment, computerized audit approach using various information technology audit techniques and tools would be appropriate. The guidelines stated above are briefly explained hereunder:

(a) Knowledge of the business:

As a professional, an auditor is expected to have a basic or general knowledge of the economy and the nature of the trade or industry in particular. In today's digital world enough material is available in the public domain for an auditor to become aware of the basics of the particular businesses and trades. A proper understanding of the nature of the trade / business would enhance the business acumen of the auditor in the conduct of an audit and to make appropriate decisions. The knowledge of the business must be used by the auditor for assessing the inherent control risks in determining the nature, timing and extent of audit procedures / verification. He must also be aware of trade practices. It is possible that certain types of trades have very localized or seasonal business practices.

(b) Master file

Every client's documents should be bifurcated into a permanent file and a working papers file. Generally, the following documents should be included in the permanent file:

1. Names addresses and contact numbers of the clients;
2. Brief profile of the client, its promoters, directors, partners etc., details of his businesses and locations of his branches along with the details of the concerned persons in charge;
3. A list of products / services being dealt with, the various notifications and clarifications applicable, copies of important judgments, advance ruling copies and clarification with reference to the client and products in general;
4. Copies of the registration certificates issued under the GST Laws and / or other allied laws;
5. Previous years signed VAT/GST/Service Tax/ Central Excise Audit Report, if any;
6. Copies of signed financials, internal audit or special audit reports etc.,
7. Copies of the constitution of the organization, like Memorandum and Article of Association, Partnership Deed, Addendum to the Deeds etc.;
8. Copies of the Application made for Composition Scheme etc.;

9. Details of software used, and methodology of systems and controls set up in the software.
10. A list of visits by various department officials, notices received and replies thereof, pending litigations before various authorities and other important unresolved issues;

(c) Discussion with the Audit Team

Before the commencement of the audit, the GST auditor should have a pre-audit meeting with his audit team. The auditor should brief the team on matters such as general background of the registered person, nature of business, history of the registered person, industry specific points, key financial parameters and accounting policies, organization of the business, organization of the accounts, key-products dealt by the dealer, assessment history, litigation, etc. He should also clearly spell out the scope of work, and the extent and manner of checking various transactions. The auditor would do well to have, the basic audit plan, audit program and various audit checklists at this stage, which could be suitably modified later on during the course of the audit, if required.

(d) Systems and internal control:

The systems, processes and controls put in place by the business entity would largely define the scope of the auditor for conducting an audit. While conducting the GST audit, a study of the internal control systems would be an important step for assessing the risks of the audit as well as for planning the audit. A note on the software used by the client and the specific merits and demerits of the software would help the audit teams.

(e) Assessment of audit risk and deployment of personnel:

An audit risk can be inherently present or surface in many forms in a business entity. In many cases it is amount flagged and can be combated or mitigated successfully by an auditor. Some of the proven methods include applying audit techniques, audit tools, professional expertise, and comparative analysis with similar businesses or evolving techniques that suit the business. It would also be worthwhile for an auditor to seek expert opinions in certain circumstances to mitigate audit risks. The extent of check by the auditor would depend on the nature of audit risk and the knowledge and expertise in indirect tax of the personnel deployed by the business. Nevertheless, there is an inherent limitation of audit, for audit risk cannot be reduced to zero.

(f) Audit Plan:

It is advisable to plan for an audit of accounts under the GST Act, along with the audit under the Companies Act or under the Income-tax Act to avoid duplication of work. In the case of a chartered accountant who carries out audit only under the GST Act, it would be wiser to complete the GST audit after completion of the other statutory audits

under the appropriate Act/s. This would also reduce the work of the GST auditor in checking the accuracy of the books of accounts as the due date under the GST Act, succeeds all the other laws. Further, it would be practical to go through the rigors of the GST audit checks, on a quarterly basis, which would throw up discrepancies, if any, and ensure filing of revised returns within the prescribed time limit. It is pertinent to mention here that for the year 2018-19; it is most likely that every tax audit report in Form 3CD under Section 44AB of the Income-tax Act has to furnish information of the break-up of total expenditure for which the entities have paid the GST

(g) Audit Program:

Audit program is a written document setting forth the procedures to implement the audit plan. Planning encompasses developing a plan for - conducting audit and developing a program showing the nature, timing, and extent of audit procedures in accordance with the scope of the audit. Planning is a continuous process and changes in case of unexpected results during the audit, would require a relook at the audit program. Along with the procedures the program must also contain the audit objective for each area of business and should have sufficient details to serve as a set of instructions to the audit assistants involved in the audit and as a means to control the proper execution of audit work. For this a detailed checklist should be devised which clearly states the various details to be checked, and the manner and extent of checking. This ensures that important issues are not overlooked during delegation of work. [Refer **Appendix 9** for an indicative GST audit checklist]

(h) Risk appetite of an entity

Risk appetite of an entity cannot be defined in a clear-cut manner. Normally, risk appetite would mean the extent of chance that an entity would be willing to take. For example. Claiming an exemption or classifying a product at a lower rate of tax based on certain interpretations or judicial pronouncements. In a situation where the risk appetite of a business entity is extremely high it would be worthwhile for an *auditor* to place reliance on external expertise and suitably issue a note or disclose or qualify the report. An auditor can decide upon the extent of check, depending upon the risk appetite of the entity.

(i) Conduct of an audit:

The success of an audit primarily depends upon the quality of the audit, the verification of the records and transactions in accordance with the audit plan and program which would help collect audit evidence to form an opinion or draw conclusion on the transactions upon which the auditor is called upon to comment. The conduct of the audit must not be mechanical as per the plan and program; it must be done with an open mind. The staff that conduct the compliance testing or the substantive verification

should be knowledgeable about the provisions of the GST Laws and the rules framed there under. They should have knowledge of the judicial pronouncements, government orders, circulars, notifications, advance rulings, flyers issued, FAQs issued etc. The conduct of an audit as in the case of any other audit assignment is substantially dependent upon the judgment of the auditor.

Audit must be conducted keeping in mind the concept of materiality, knowledge of local laws, general auditing and accounting practices, the accounting and auditing standards, guidance notes etc., issued by the ICAI.

List of audit standards issued by the ICAI can be found in **Appendix 10**.

(j) Responsibilities of Joint Auditors

In case of joint auditors, the roles and responsibilities of each of the joint auditors should be clearly defined. Some of the points, based on SA 299, which have to be kept in mind for this purpose, are:

✓ **Division of work**

The division of work among the joint auditors should be based on identifiable units. Where owing to the nature of the business of the registered person, division is not possible on the lines stated above, the division can be done based on items of assets and liabilities or income or expenditure or with reference to the period of time. The scope and division of work should be documented and communicated to the registered person.

✓ **Co-ordination**

During the audit, if the GST auditor comes across any matter which are relevant to the areas covered by the other auditors and deserve their attention, the same should be communicated in writing to them. This should be done before the final audit report is submitted

✓ **Relation among joint auditors**

The joint auditor is responsible for the work allocated to him except in the following cases where the responsibility of the joint auditors is joint and several:

- In respect of work not specifically allotted to any one auditor and jointly carried out by all the auditors.
- In respect of the decisions taken by all the auditors regarding the nature, timing and extent of the audit procedures to be adopted by any of the joint auditors. However, this responsibility is restricted only to the extent of the appropriateness of the decision regarding the timing, nature and extent of the audit procedures. The responsibility concerning the actual execution of

the audit procedures is the separate and specific responsibility of the respective joint auditor.

- It is the responsibility of each of the joint auditor to determine the nature, timing and extent of audit procedures for his area of work, manner of making enquiries, etc. For example the extent of test check for a given area of the GST audit, has to be determined by the concerned joint auditor after the evaluation of the accounting policies and the internal control system concerning his area of work.
- In case of a registered person having several branches, the joint auditor concerned shall be responsible for the review of the branch auditor's report concerning his area of work and not pertaining to the other joint auditor. In case, one or more branch auditor's report is not concerning any of the joint auditors' area of work, then for such branch audit reports, the joint auditors may mutually decide regarding the division of work.
- It is the responsibility of the concerned joint auditor to obtain and evaluate the information, explanations and documents from the dealer pertaining to his area of work.
- Each of the joint auditors is entitled to assume that the other joint auditors have carried out their part of the audit work in accordance with the generally accepted audit procedures including matters pertaining to applicable statutory disclosures in the GST audit report and other legal and professional requirements. It is not necessary for any joint auditor to review the work performed by the other joint auditor.
- Each of the joint auditors would issue a final report for the consolidated GST audit report. However, where the joint auditor is in disagreement with regard to any of the matters covered in the GST audit report, each of them should express his own opinion in a separate report. The joint auditor is not bound by the views of the majority of the joint auditors regarding matters covered in the report.

(k) Periodical meeting with the Audit Team

It is advisable to have regular and periodical review meetings with the Audit Team. A preview meet would help remove the bottlenecks and hurdles rather than making the whole audit procedure redundant.

(l) Reporting

An auditor has to form an opinion and draw conclusions on the basis of the audit

evidence and decide upon the issues that, which are required to be reported and commented upon which has a bearing on the GST law and procedure to be adhered to by the assessee. In forming such an opinion, the auditor should be diligent enough to ensure that no material misstatement creeps into the report and also no material matters are left out from reporting. It would be a good practice to report on matters on which an auditor while conducting an audit under the GST law has relied upon. Before the audit is finalized, a meeting with the client is required for discussing with him the audit observations and qualifications, if any. Many of the observations which might look to be major issues can be clarified with the client before reporting.

An auditor if considered necessary can:-

- (i) Draw users' attention to a matter presented or disclosed that is fundamental to the users' understanding of the subject matter information (an Emphasis of Matter paragraph); or
- (ii) Communicate a matter other than those that are presented or disclosed, relevant to intended users' understanding of the engagement, (an Other Matter paragraph),

The practitioner would need to express a modified opinion /conclusion in the following circumstances:

- (i) When, in the practitioner's professional judgment, a scope limitation exists and the effect of the matter could be material. In such cases, the practitioner should express a qualified opinion /conclusion or a disclaimer of opinion /conclusion.
- (ii) When, in the practitioner's professional judgment, the subject matter information is materially misstated, and then the practitioner should express a qualified opinion / conclusion or adverse opinion /conclusion.

(m) Discussion with registered person and Management Representation

The auditor is required to discuss his observations with the registered person and seek clarification before forming conclusion on the reporting points. He is also advised to obtain all the relevant management representation certificates from the client before the GST Audit Report is signed. [Refer **Appendix 12**]

(n) Reporting the observations in the format prescribed

The auditor has to submit the findings of the GST audit in GSTR 9C by issuing a Certificate. The certificate and the report has to be dated and signed and should be accompanied by the relevant annexures. Since there is no specific format prescribed under the GSTR 9C for any comments, observations or qualifications against the respective clauses, the auditor could carry out the same under the respective clauses and also by way of additional notes attached by him to the GSTR 9C.

(o) Audit working papers file

Once the audit is completed, the auditors have to ensure that all the working papers are segregated and put in the respective files of the client. It is also very important to ensure that the Audit working file (both master file and the current file) is updated and the filing is done systematically according to the different areas covered in the audit. This would ensure compliance with the professional practice guidelines including the peer review objectives.

(p) Inherent limitation of an audit

As per SA 200, the objective of an audit is to express an opinion as to the true and fair view or the correctness of the special purpose/stated purpose. The user should however not assume that this opinion is “an assurance” of the effectiveness and efficiency, with which the management has conducted the affairs of the entity. The scope of the audit is determined by the terms of engagement (Refer Engagement Letter). Management responsibility includes the maintenance of adequate accounting records and internal controls and safeguarding the assets of the entity. It is important to note that an audit does not guarantee that all material misstatements would be detected because of the following inherent limitations:

- (a) Test nature of the audit
- (b) The audit evidence available is persuasive than conclusive
- (c) Certain levels of management may be in a position to override the internal controls
- (d) Professional Skepticism

A practitioner is expected to provide either a reasonable assurance (about whether the subject matter of examination is materially misstated) or a limited assurance (stating that nothing has come to the practitioner's attention that causes the practitioner to believe that the subject matter is materially misstated). The inherent limitations arise from:

- (a) the nature of financial reporting;
- (b) the use of selective testing;
- (c) the inherent limitations of internal controls(especially in the GST, because it is a new mode of tax regime)
- (d) the fact that much of the evidence available to the practitioner is persuasive rather than conclusive;

- (e) the nature of procedures to be performed in a specific situation;
- (f) the use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence;
- (g) in some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria; and
- (h) The need for the engagement to be conducted within a reasonable period of time and at a reasonable cost.

Chapter 4

Important Aspects for GST Audit of Multi-Locational Entities

I. Introduction

1. Registration, under the GST laws, is for an 'Entity' in respect of its supplies affected 'in' the State / UT. An 'Entity' may have as many registrations as the States that it operates 'in'. While the rules regarding determination of whether registration is required or not, is one aspect, a start can be made after such registrations have been obtained. Section 25(4) and 25(5) of CGST Act make it clear that each registrant is a 'distinct person' under the GST laws. Section 22 of the CGST Act also permits more than 'one registration' even within the same State / UT, either based on 'Business Verticals' or otherwise holding separate registration.

2. It is possible that a transaction that takes place between two branches of the same 'Entity' becomes liable to tax incidence due to the operation of the schedule I of the CGST Act. That is, transactions between two distinct persons (both belonging to the same Entity) would be a 'supply' transaction when those transactions fall within the purview of schedule I,

'2. supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business and

....

4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business;'

3. It is interesting to note that there are more than one kind of multi-location units to be considered, namely (among others):
 - (a) Registered branches in two different States / UTs;
 - (b) Registrants within the same State, as business verticals or otherwise;
 - (c) Business locations outside India;
 - (d) Branches in a State that are found liable to register but are not registered.

II. Analysis

- (a) When an Entity has registrations in more than one State / UT, each registrant is treated as distinct person in terms of Section 25 of the CGST Act. Each of these distinct

persons is required to get its records audited under the GST Laws. It is important to note that following "Registrations" of the taxable person are not required to be audited:

- Input Service Distributor
 - A person paying tax under Section 51 or Section 52
 - A casual taxable person
 - A non-resident taxable person
- (b) In respect of persons in (a) to (d) cited in clause 3 of Para I supra, the following key issues are to be borne in mind during the conduct of the GST audit:
- (i) Each registered person (GSTIN-wise) is required to maintain books, records and other documents in accordance with Section 35 of the CGST Act. Difficulty arises when the principal place of business holds or maintains all the books and records. In this situation, it would be extremely difficult to "derive" specific transactions and reflect such transactions in the returns / statements to be filed. For instance, the books and records may not reflect stock transfer of goods between branches, whereas such data may be derived on the basis of delivery challans, e-way bills or such other documents maintained;
 - (ii) Another situation could be where common costs are required to be allocated. This could be done based on the turnover of each distinct person, or based on manpower deployed, or any other suitable cost-driver relevant to each such cost to be allocated;
 - (iii) It is common knowledge that several enterprises use infrastructure available in a centralized location or back-office support whether in respect of Information Technology, Finance, Accounting, Human Resource or Personnel, Corporate Management, etc. These costs are required to be allocated based on 'end use' than on turnover. However, an auditor must bear in mind that such allocation could also be a subject matter of valuation under the GST law and also have a bearing on transfer pricing regulations in Income-tax and Customs;
 - (iv) In respect of transactions with a branch, where the head office is registered whereas the branch fails to obtain registration, conducting an audit to ensure completeness of the reporting by the registered head office without leaving any loose ends becomes onerous.
- (c) Key checks and balances:
- (a) Extracting GSTIN-wise trial balance;
 - (b) Ensuring relevant GSTR 1 and GSTR 2A are matched, where applicable;
 - (c) Securing confirmation letters where GSTR 1 and GSTR 2A remain unmatched;

- (d) Valuation of inter-locational transactions where there can be an input tax restriction in the hands of the recipient;
- (e) Importantly, in respect of transactions relating to the import of services (where IGST becomes payable by the importer) and such transactions are subject to valuation by the GST authorities at a later date which have already been included in the cost of services provided to a customer. Change in the cost component due to valuation review can adversely impact the reporting results of the registered person. For example, HR services utilized by an Indian entity from an overseas provider.

III. Accounts of Locations

- (i) At the outset, the audit should be initiated by seeking a separate Trial Balance for the GSTIN under audit. A separate Trial Balance ensures identification of all transactions related to a particular GSTIN. The Trial Balance can be generated by maintaining separate books of accounts for all locations, or it can also be generated from the specific marking for a Branch against every transaction. In case of separate Trial Balance for branches under a single GSTIN, the same may be consolidated to eliminate inter branch transactions within the same GSTIN. The relevant ledger accounts as per the Trial Balance should be reviewed with the records and documents maintained at the respective locations. The balances should be 'verified figures' declared in Form GSTR 1 and GSTR 3B of each GSTIN.
- (ii) The best option would be that the, if the Auditor get an audited Trial Balance of the registration. However, in case GSTIN wise audited Trial Balance is not available then an internal 'trial balance' of each location mapped with audited financials should be the base that ought to be considered for performing the GST Audit.

IV. Importance of registration wise transactions

There are many contracts which may be undertaken by a Legal Entity with a third party, whereas, its execution may require 'supply' from different locations. The inter play of supplies between branches is required to answer the correct tax payable or input tax credit availment / available for a taxable person. Transactions between different GSTIN of the same Legal Entity should be analyzed very carefully. They may consist of:

Stock transfer of goods; and / or

Cross utilization of services;

Stock transfer of goods may be easy to identify and can be cross verified through stock records, records for movement of goods etc., whereas, cross utilization of services may not be clear from financial records. This needs analysis of each Trial Balance. Analysis of the purpose of expenditure incurred for each Trial Balance may provide an indicative

evidence for cross utilization of services. Also, segmental reporting as per Accounting Standard 17 may be a useful guide to identify such transactions. In case of inter unit transfer of goods / services an auditor needs to see that valuation has been carried out as per Rule 28 of the CGST Rules.

V. Cost sharing / Cross charge between branches

- (a) Section 7(1) (c) read with Schedule I of the CGST Act considers transactions between distinct persons as supplies even when such transactions do not involve supply. Accordingly, stock transfer of goods between branches being a transaction between distinct persons comes within the ambit of the GST Laws. Similarly, services between branches would also attract GST liability.
- (b) Audit of Multi Location entities would require examination (among others) of the following:
 - 1. Cost incurred commonly at or by the Head Office, such as Marketing and Brand Building Costs;
 - 2. Head Office could be providing support to branches, such as Centralized Accounting Services; HR Services etc.,
 - 3. Branches without billings to third parties;
 - 4. Branches with billings to third parties;
 - 5. Identification of branches which have not been registered;
 - 6. E-Way bill to track supplies which have been marked as stock transfers;
 - 7. Credit of 'State A' availed in 'State B' especially in cases where the place of supply is State B (E.g. Accommodation Services of the employee of 'State A' availed as credit in 'State B');
 - 8. Basis of bifurcation of credits into ISD;
 - 9. Valuation of Supply especially when credits are not available in the hands of the receiving Branches.

VI. Cross Charge versus Input Service Distributor

- (i) Cross charge is for supply of services from one unit to another in terms of common functions undertaken by such Branch/es. Thus, it is an allocation of common functions to different branches. However, Input Service Distributor is defined in Section 2(61) of the CGST Act to mean an Office of the supplier of goods or services or both which receives tax invoices issued under Section 31 of the said Act towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of GST on the said services to another branch of the same legal person.

- (ii) Thus, while ISD is merely distributing the credit of invoice of input services relating to services received by another branch but invoice of which is received by the ISD, cross charge is a broader concept, where the location that received goods and services in its own capacity uses such resources for provision of common support functions of the entity and thus, supply such support functions to other units. A choice of ISD or cross charge is material from the perspective of maintenance of books of accounts as well as reconciliation thereof.

VII. Conclusion

On the basis of the concepts stated in this write-up an auditor must bear in mind that a lot many issues that may arise in a real time business environment. Adequate checks and balances must be employed to exercise caution and care while reporting such transactions. Attention of the reader is also invited to the Advance Ruling in the case of Columbia Asia Hospitals Private Limited vide KAR ADRG 15/2018 dated 27th July, 2018 which would be useful in taking decisions.

Accounting Standards and Ind-AS

1. Introduction

The purpose of this chapter is to provide a broad overview to the readers on the impact of differences in concepts between Accounting Standards and GST. This document covers neither Accounting Standards nor provisions of the GST Law. It only draws comparison of certain Important Standards.

2. Accounting Standards issued by ICAI

For maintaining uniformity in the preparation and presentation of the accounts of various entities, the ICAI has issued various Accounting Standards. These standards are applied while issuing General Purpose Financial Statements to the public by commercial and business enterprises as specified by the ICAI and which are subject to attestation by the members of the Institute. The term General Purpose Financial Statements includes Balance Sheet, Profit and Loss Account, and Cash Flow Statements along with the Explanatory Notes thereon. Various stakeholders such as investors, Government and the public at large use these statements. In addition, the ICAI has also issued various clarifications and guidance notes on accounting and auditing standards.

The importance of globally accepted accounting standards has prompted many countries to converge national accounting standards with IFRS. The Government of India in consultation with the ICAI decided to converge and not to adopt IFRS issued by the IASB. Accordingly, while formulating the IFRS-converged Indian Accounting Standards (Ind AS), efforts have been made to keep these standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made only where these were considered absolutely essential.

The Ministry of Corporate Affairs carried out the process of convergence of Indian Accounting Standards with IFRS after a consultative process with all the stakeholders in pursuance of G-20 commitment and as a result, 35 Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called Ind AS). Various categories of companies are required to carry out the convergence of Indian Accounting Standards with IFRS with effect from 1 April 2017.

3. Applicability of Accounting Standards

The Companies Act requires that the financial statements should give a true and fair view of

Note – Certain parts of this chapter have been extracted from “a Handbook on KVAT Audit, 2003 published by the Institute of Chartered Accountants of India

the financial position of the entities which are subject to audit. This view is implicit even in the absence of such a statutory requirement. What constitutes 'true and fair view' has not been defined either under the Companies Act or any other statute. The accounting standards including clarifications and guidance notes which seek to describe the accounting principles and the methods of applying these principles in preparing the financial statements are meant to give a true and fair view. The accounting policies selected shall be applied consistently.

It is worth noting that Section 133 of the Companies Act read with Rule 7 of Companies (Accounts) Rules, 2014 provides that every profit and loss account and balance sheet should comply with the accounting standards. Section 134(5)(a) provides that Directors Responsibility Statement referred to in Section 134(3)(c) shall state that "in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure.

As per Section 133 of the Companies Act the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the ICAI, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

Further, under Section 143(3) (e), the auditor has to state in his audit report whether the financial statements comply with the accounting standards referred under Section 133.

In this regard, the Central Government has notified² the Companies (Accounting Standards) Rules, 2006 for all accounting periods commencing on or after December 7, 2006. The accounting standards as notified by the Central Government are a virtual reproduction of accounting standards issued by the ICAI except for a few changes. Thus, for all accounting periods commencing on or after the above date, the Central Government notified accounting standards that are mandatory.

As per the said rules, every Company and its auditor shall comply with the accounting standards as per the annexure to the said rules. However, there are some relaxations and exemptions have been prescribed for Small and Medium Sized Companies ('SMC') from compliance requirements under some accounting standards. Further, there are other compliance and disclosure requirements applicable to all companies including SMC under the rules. The term SMC has been defined as:

Definition of SMC

"Small and Medium Sized Company" (SMC) means, a company –

- (i) *whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;*

² Notification G.S.R. 739(E) dated 07.12.2006

- (ii) *which is not a bank, financial institution or an insurance company;*
- (iii) *whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;*
- (iv) *which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and*
- (v) *Which is not a holding or subsidiary company of a company which is not a small and medium-sized company.*

Explanation: A company shall qualify as a Small and Medium Sized Company, if the conditions mentioned therein are satisfied at the end of the relevant accounting period.

The accounting standards notified by the Central Government are mentioned in **Appendix 11**.

It is to be noted that, in the case of non-compliance by entities such as partnership firms, proprietorships, etc., the ICAI has directed its members to qualify their audit reports in case the accounting standards issued by it have not been followed.

Thus, it is very important for the GST Auditor to be aware of the regulatory or statutory framework under which the dealer's accounts are prepared. Further, the GST Auditor should also keep in mind that the financial statements given by the registered person for the GST audit would comply with the accounting standards. Hence, it is essential that the GST Auditor possesses knowledge about the applicability of the various Accounting Standards.

As per the notification released by the Ministry of Corporate Affairs (MCA) on 16 February 2015, the roadmap for Ind AS implementation is as follows:

Financial year	Mandatorily applicable to
2016-17	Companies (listed and unlisted) whose net worth is equal to or greater than 500 crores INR
2017-18	Unlisted companies whose net worth is equal to or greater than 250 crore INR and all listed companies
2018-19 onwards	When a company's net worth is greater than 250 crore INR
2018-19 onwards	Entities, not under the mandatory roadmap, may voluntarily adopt Ind AS

Whenever a company gets covered under the roadmap, Ind AS becomes mandatory. Its holding, subsidiary, associate and joint venture companies would also have to adopt Ind AS (irrespective of their net worth).

4. Implication of non-compliance with the Accounting Standards/ Ind-AS

The statutory auditors are required to modify, by way of qualification or disclaimer, their opinion on the financial Statements in case any item is treated differently from the prescribed treatment in the relevant accounting standard. However, while modifying, they should consider the materiality of the relevant item. In case of non-disclosure of significant accounting policies, the auditors are required to specify the fact in their report.

Further, in terms of Section 129 of the Companies Act, the financial statements shall comply with the accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, Companies (Indian Accounting Standards) Rules, as amended.

In case of non-compliance with accounting standards, it is pertinent for the Company to disclose in its financial statements the deviation from THE accounting standards, the reason for such deviation and their effect on financial statements.

5. Disclosure of Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. If the entity keeps on changing the base from year to year, it may not always reflect the true and fair position of the entity. Secondly, the results of earlier years cannot be compared with the latest years as the base of the measurement has been changed. Therefore, it is of utmost necessity that the entity follows the accounting policies consistently.

The accounting policies adopted by registered person are very important for the GST Auditor for conducting the GST audit under the GST law. In this regard, the disclosure requirements under AS 1 should be kept in mind while conducting the GST Audit. Some of the aspects that need to be considered are as follows:

- The accounting policies adopted by the dealer;
- The effect of change of any accounting policy during the year which may have a substantial effect on the financials of the year under audit or in any subsequent year;
- The accounting policies of the dealer should enable the GST Auditor to correctly determine the sales purchases and input credits.

The major considerations for the selection and application of the accounting policies are:

- Prudence
- Substance over Form
- Materiality

If the fundamental accounting assumptions relating to a going concern, consistency and accrual are followed in the financial statements, specific disclosure in respect of such assumptions are not required. If the fundamental accounting assumptions are not followed, such a fact should be disclosed.

As per Ind AS 1, an entity is required to disclose the accounting policies followed by it. However, it does not specify which accounting policies are to be disclosed. Depending upon the nature of its business and types of materiality of transactions, the entity is supposed to decide whether an accounting policy is to be disclosed or not. In this regard, Ind AS 1 lays emphasis on usefulness of the disclosure in assisting the users in understanding financial statements, nature of an entity's operations and expectations of the users.

An entity shall change an accounting policy only if the change: (i) is required by an Ind AS; or (ii) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows has changed.

6. Accounting Standards Vs. GST

There could be differences in the manner of accounting treatment of certain transactions as per Accounting Standard in the financial statements vis-à-vis the treatment under GST. Some of the differences are:

- Supplies on behalf of the principal are not reflected in the financial statements of the agent and only commission is shown as the revenue of the agent. Under the GST Law, such turnover would be treated as part of the agent's turnover.
- Under the Accounting Standard 19 in the case of finance lease, in the books of the lessor, the cost of the asset is recorded as a receivable whereas in the books of the lessee, it would be recorded as an asset purchased. However, under the GST, the cost of the asset would be recorded as a purchase and the fair value of the asset would not be recorded in the books of the lessee as a purchase. In the case of the lessor, only the financial charges would be treated as revenue as per the AS, whereas under the GST, the entire amount would be treated as revenue. Similarly, as per the Accounting Standard, in the case of lessee, the amount of lease rentals would be bifurcated into interest charges and liability, whereas under the GST, the entire amount would be treated as expense.

The above is only illustrative and there could be many more cases of differences in the turnovers between the financial statements and the GST Law.

7. Comparison of Relevant Accounting Standard and some GST Provisions

The GST transition is not just a, tax change but a complete business change, which impacts finance, accounting and reporting functions.

7.1 AS 1/Ind AS 1: Disclosure of Accounting Policies

AS 1 deal with the disclosure of significant accounting policies followed in the preparation and presentation of financial statements. Fundamental accounting assumptions in any financial statements are that the f statements are based on Going Concern, Consistency and Accrual system concepts.

Presentation of the GST in financial statements

Currently, the accounting treatment of various indirect taxes varies on the basis of their nature and point of levy. Under IND AS, excise duty is included in revenue, since it is a (manufacture) production-based tax. GST is not included in revenue, because it is levied at the time of sales. GST is a destination-based tax, which is levied at the point of supply. Hence, it is likely that revenue would not be presented including GST. For the first three months of 2017-18 revenue would be presented at Gross for Excise Less Excise Duty paid, and for the subsequent period it would be shown only Net, which would bring some distortion in reading of the numbers for the users and also comparative for the previous years would be different.

7.2 AS 2/IND AS2 Valuation of Inventory

As per AS-2 the costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and similar items are deducted in determining the costs of purchase.

However, the CGST Act and the corresponding SGST / UTGST Act provides for the availment of input tax credit or refund of input tax credit in specified situations. Thus, to the extent credit is availed or refund is claimed, it would not form part of the cost of inventory. Input tax credit is not available (some situations) when:

- (a) Input / input services /capital goods are used for personal purposes;
- (b) Tax paid under Section 10 (inward supplies from composition registrations;
- (c) Restricted credits u/s 17(5) of the CGST Act;
- (d) Depreciation claimed on tax portion / element;
- (e) Input/input services/capital goods used for exempted supply

Thus, a systematic evaluative process is required to determine “what” credit is claimed and “what is” part of the cost of inventory as per the applicable accounting standard.

7.3 AS 9/Ind AS 115: Revenue Reconciliations

Revenue recognition according to Ind AS may not coincide with turnover for the purpose of GST. For example, in case of multiple element contracts, total consideration would be allocated to each component based on fair value of each element. However, the same

methodology may not work for GST purpose. Moreover, GST payments and return filings are expected to be State wise (GSTIN wise). Accordingly, entities would need to devise a proper system in place, for timely State-wise (GSTIN wise) reconciliations of periodic GST filings in various states, with the amount recorded in the books of accounts.

Broad difference of point of recognition

As per the AS, Revenue is to be recognized either at a point in time (when the customer obtains control over the promised service) or over a period of time (as the customer obtains control over the promised service).

Under the GST, the time of supply is triggered when the invoice is raised, or payment is made whichever is earlier. This might lead to a situation wherein GST would be paid on the contract as per the date of invoice, but the revenue would not be recognized in the books because the customer may not have obtained necessary benefits from the contract. For example...: AMC contracts, Insurance contracts, deferred and advance payments.

Time of Supply from the Accounting Standards Perspective

Para 6. Sale of Goods

Time of sale (as supply for understanding purposes) shall be construed when the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in, or coincides with, the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where the transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognized at the time of transfer of significant risks and rewards of ownership to the buyer.

Para 7. Rendering of Services

Revenue from service transactions is usually recognized when the service is performed, either by the proportionate completion method or by the completed service contract method.

- (a) *Proportionate completion method*— Performance consists of the execution of more than one act. Revenue is recognized proportionately by reference to the performance of each act. For all practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognized on a straight-line basis over the specific period unless there is evidence that some other better method better represents the pattern of performance.
- (b) *Completed service contract method*—Performance consists of the execution of a single action. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed until the execution of those actions. The completed service contract method is relevant to these patterns of

performance and accordingly revenue is recognized when the sole or final act takes place and the service becomes chargeable.

Time of Revenue Recognition from the GST Perspective:

As per the provisions of the CGST Act, in respect of 'Supply of Goods' revenue shall be recognized as per Section 12 and in respect of 'Supply of Services' as per Section 13 of the said Act. The Value to be considered for such transactions is as per the provisions of Section 15 of the CGST Act. However, primarily GST is triggered when the entity makes supply of goods or services or both. The definition of supply under the GST is very comprehensive and includes sale, transfer, barter, exchange, rental, lease, disposal, stock-transfer etc.

On the contrary, in 'financials' revenue is recognized when goods are sold, or services are rendered. No revenue is recognized when fixed assets are sold / disposed of, except for profit on sale of such assets or when goods are transferred to the branches.

Such transactions would result in a difference between the revenue reported under the GST and the 'financials'.

Value of revenue recognition from the GST perspective

Value of supply of goods or services or both under the GST law is a transaction value i.e. the price actually paid or payable for the said supply and would include any duties and taxes paid under any law other than the GST, incidental expenses incurred to meet such supplies, interest charged if any etc.

Valuation of contracts under Ind AS might differ in certain aspects from the GST Laws. For example, the contract value may not include any duties and taxes paid which is refundable, interest on delayed payment, expenditure incurred by the recipient etc. These differences might lead to differences in valuation of contracts.

Accounting and financial reporting is one such aspect which needs to be analysed carefully. Further, with the set of entities moving on to the Ind AS financial reporting framework, it is pertinent to understand the interplay of the GST and Ind AS some aspects of which are discussed in the following paras:

- ✓ **Supplies without consideration:** As per Schedule I of the CGST Act- GST is leviable on certain transactions even if such transactions are made without consideration - like supply of goods from principal to agent, disposal of business assets, supplies to related parties etc. Under Ind AS transactions without any consideration would not form a part of the financial statements and would be treated as a non-balance sheet item / off-balance sheet item.
- ✓ **Post sales discounts:** If the entity has the practice of granting discounts to its customers on post-sale basis, then for providing such discounts the entity may raise a

financial credit note which would not be subjected to GST but would be reported as discounts in the financial statements.

Other Aspects for Consideration

Transitional provisions under GST: The transitional provisions in Section 142(1) of the CGST Act, state that a registered person under the GST would be required to raise a tax invoice for the goods returned by him to the supplier, if such goods were bought by him in the pre-GST regime. Thus, a registered tax payer under the GST would be obligated to raise a tax invoice and the same would form a part of his turnover under the GST Laws. However, as per the Ind AS while reporting it in the financial statements it would be treated as a reduction from purchases and not as turnover.

7.4 AS 10 / Ind AS 16: Accounting for Fixed Assets / Property, Plant and Equipment

Accounting Standard 10: Accounting for Fixed Assets

The cost of fixed Asset comprises of its purchase price including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use.

Administration and other general overhead expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset. However, in some circumstances, such expenses as are specifically attributable to the construction of a project or to the acquisition of a fixed asset or bringing it to its working condition, may be included as part of the cost of the construction project or as part of the cost of the fixed asset.

Ind As 16: Property, Plant and Equipment

The cost of Fixed Assets is the amount of cash or cash equipment paid or the fair value of the other consideration given to acquire an assets at the time of its acquisition or construction or where applicable the amount attributable to that assets when initially in accordance with the specific requirement of other Indian accounting standard.

Fixed Assets: From the GST Perspective

As per Section 18(3) where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.

In nutshell, Input tax credit shall not be allowed on the tax component of the cost of capital goods and plant and machinery if depreciation on such tax component has been claimed under the provisions of the Income Tax Act, 1961.

7.5 AS-11 / Ind AS 21: Treatment of exchange differences

Rule 34 of the CGST rules provides the basis to determine the rate of exchange of currency, other than Indian Rupees, for determination of value when transaction has been executed in cases other than Indian currency.

- ✓ **Goods:** The rate of exchange for the determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board under Section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of Section 12 of the CGST Act. As per Section 14 of the Custom Act 1962 “rate of exchange” means the rate of exchange—

determined by the Board, or

ascertained in such manner as the Board may direct,

For the conversion of Indian currency into foreign currency or foreign currency into Indian currency. CBIC issues the notifications from time to time in this regard

- ✓ **Services:** The rate of exchange for determining the 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 Section 13 of the CGST Act.

However, up to 26th July 2017 the rate of exchange for the determination of the value of taxable goods or services or both was applicable reference rate for that currency as determined by the Reserve Bank of India on the date of time of supply in respect of such supply in terms of Section 12 or, as the case may be, Section 13 of the Act.

- ✓ **As per the Accounting Standard:** A foreign currency transaction is any transaction that is denominated in or needs to be settled in any foreign currency. Such foreign currency transactions must be recorded, on initial recognition in reporting currency, by applying the exchange rate between the foreign currency and the reporting currency to the foreign currency amount at the date of the transaction.

AS 11: In the books of account foreign currency transactions are recorded as per applicable Accounting Standards. AS-11 deals with the Effects of Changes in Foreign Exchange Rates. Following are some of the principles to record foreign currency transaction:

Different exchange rates may be applied for supply of goods for paying tax under the GST regime and in accounting valuation. This can be one of the reasons for turnover differences in GSTR 9C between financial statements and GSTR 9. A comparative statement for difference in foreign exchange as per Rule 34 of the CGST Rules and AS-11 should be made, and difference in turnovers because of difference in foreign exchange rates would be reported in GSTR 9C.

- ✓ **Reporting at Balance Sheet Dates:** Exchange differences which arise because of reporting the enterprise's monetary items at rates that are different from the ones at which they are recorded initially must be recognized as income or as expense. However, there would no GST impact of the same.

7.6 AS 12/Ind AS 20: Accounting for Government Grants

- (i) **As per Accounting Standards:** Government grants are assistance provided by the Government in cash or kind to an entity for past or future compliance with certain conditions. Accounting treatment of Government Grants in Income based approach, provides for an appropriate amount in respect of such earned benefits, estimated on a prudent basis, to be credited to income for the year even though the actual amount of such benefits may be finally settled and received after the end of the relevant accounting period.

Under the GST Laws, as per Sec 15(2) (e) of the CGST Act “the value of supply shall include subsidies directly linked to the price **excluding** subsidies provided by the Central Government and State Governments”.

- (ii) Going by the above discussion it may be inferred that Government Grants would not be treated as Revenue for the purpose of GST.

7.7 Accounting standard – 18 : Related Party disclosures

Accounting standard Requirement

This Standard should be applied for reporting related party relationships and transactions with related parties. The requirements of this Standard apply to the financial statements of each reporting enterprise as also to the consolidated financial statements presented by a holding company.

Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.

Application of this Accounting standard from GST Perspective:

It would be relevant to note that Related Party as per the Accounting standard 18 and related party as defined under the valuation provision under the GST may not be the same but GST auditor can refer notes to accounts where the related party disclosures have been made to identify possible related party transactions from valuation perspective. Since, in case of related party transaction, valuation Rule 28 would apply, the Auditor may check whether auditee has carried out transactions with the related party as per the valuation Rule 28 or not.

7.8 AS-29 / Ind AS 37: Provisions contingent liabilities and assets

As per the Accounting Standard, a provision is a liability of uncertain timing or amount that arises from a past event that is expected to result in an outflow of the entity's resources. A contingent liability is a present obligation with uncertainties about either the probability of outflow of resources or the amount of the outflows, and possible obligations whose existence is uncertain. A contingent asset is a possible asset whose existence is uncertain. A provision is recognized for a legal or constructive obligation, if there is a probable outflow of resources

and the amount can be estimated reliably. Probable in this context means more likely than not. A constructive obligation arises when the entity's actions create valid expectations of third parties that it would accept and discharge certain responsibilities.

- ✓ Contingent liabilities are recognised only if they are present obligations assumed in a business combination - i.e. there is uncertainty about the outflows but not about the existence of an obligation. Otherwise, contingent liabilities are disclosed in the notes to the financial statements.

Contingent assets are not recognised in the balance sheet. If an inflow of economic benefits is probable, then details are disclosed in the notes to the financial statements. A provision is measured at the 'best estimate' of the expenditure to be incurred. Warranty and replacements are the examples where provisions may be required to make in financials in terms of the Ind AS 37 as explained above.

- ✓ Treatment of the provisions, warranties and replacements under the GST: If a warranty is given with the supply of any goods or services, it shall be treated as a composite supply of the original principal supply. However, GST would be applicable on warranty amount if recovered from the customer.

8. Conclusion

This chapter was meant to discuss issues that would have a bearing on the GST audit. The illustrations / examples considered in the chapter may not be exhaustive. Therefore, it is likely that, several other issues may crop up in a real business environment which needs to be borne in mind.

GST Audit in a Computerised Environment

1. Introduction

The purpose of this chapter is to provide a broad overview of CIS environment, Risks and Controls that exist. However, it does not provide detailed step by step audit procedures, documentation and reporting there on.

Compliances under the GST law are dependent upon technology because transactions are numerous. It is not only the Government which has adopted technology; businesses too have adopted technology at different levels to meet the compliance requirement.

In the GST regime, Information Systems have become an integral part of enterprise day-to-day operation, such as return filing, payment of taxes, rectification of returns filed, reconciliation of multiple returns GSTR 1, GSTR 2A, GSTR 3B, e-Way Bill, GSTR 9 etc. The increased usage of technology has pitfalls when sufficient controls are not built within. The primary responsibility of the GST Auditor is to assess the entire Computerized Information System (CIS) environment and get macro perspective of data availability and systems reliability.

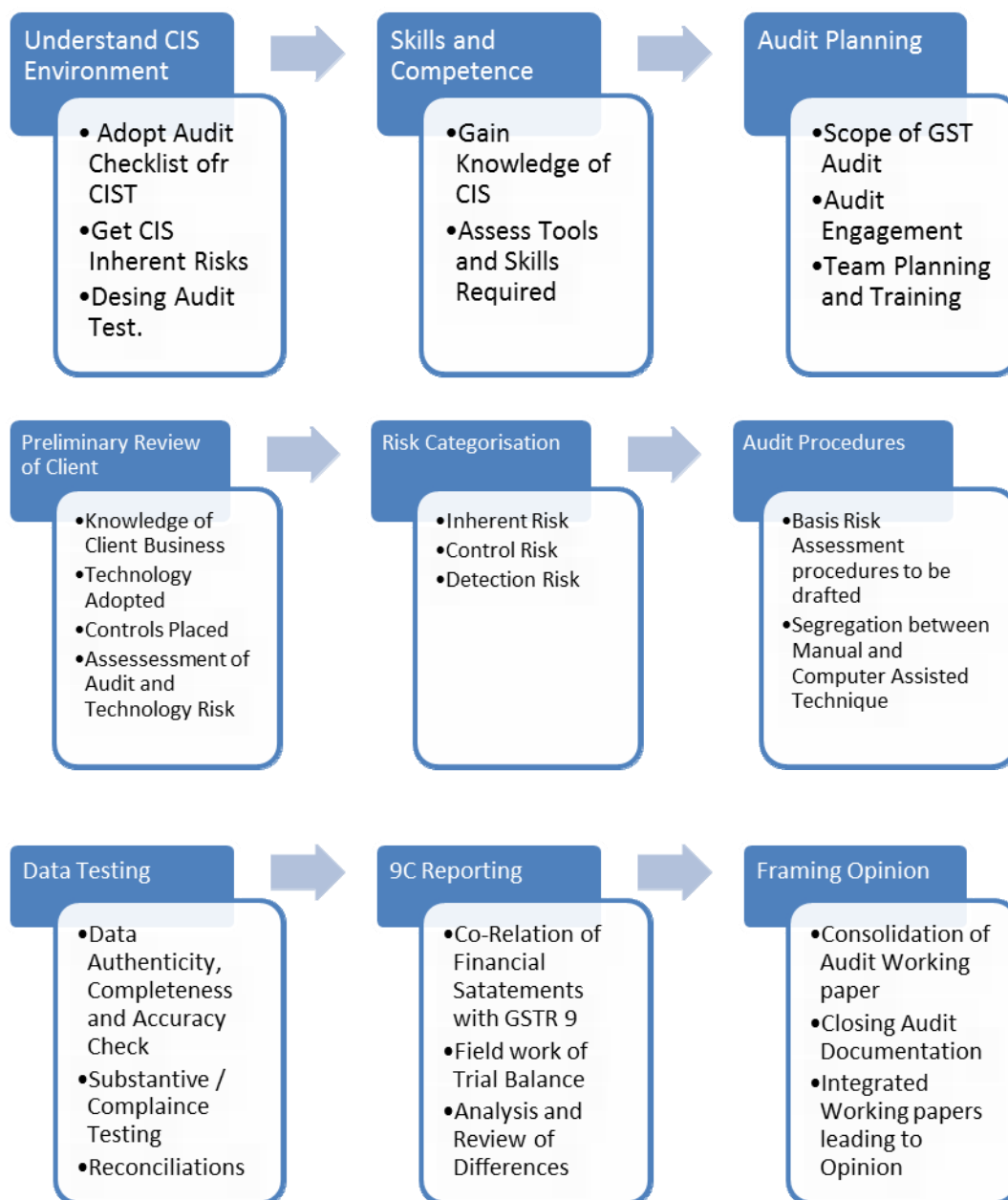
Unlike the traditional audit methodology which involved manual process of checking and verification, the GST audit processes for larger assesses is carried out by using Computer Systems and Technology. For example, verification for the matching of Input Tax Credit availed with the Outward Supply declared by the supplier being large in numbers, cannot be done manually .Hence different computerized tools and methods have to be used for the purpose.

Though it is clear that computerized tools and methods have to be used for conducting the audit, at the same time it is important that the Auditor is aware of such computerized environment which can be called Computerized Information System (CIS) Environment, and the audit risks involved therein.

GST Auditor should also try to know whether the computer of any type or size used by the entity for processing financial information is important for the purposes of audit, and if it is operated by the entity or by a third party.

Controls can be classified based on whether they are, preventive, detective or corrective or based on some other parameters like physical, logical or environmental. More classifications are also possible, based on the assets they protect;

Audit under CIS Environment is outlined in the following steps



Each of the above steps is discussed in detail hereinafter. However, the steps relating to GST audit procedures and reporting are dealt in other chapters

2. Understanding the CIS environment and its effect on audit:

The overall objective and scope of an audit does not change in a CIS environment. However, the use of computer changes the processing, storage and communication of financial and other related information and may affect the accounting and internal control systems employed by an entity. Accordingly, the CIS environment may affect:

- (a) the procedures to be followed by the GST Auditors in obtaining a sufficient understanding of the accounting and internal control systems;
- (b) the consideration of inherent risk and control risk through which the GST Auditor would arrive at risk assessment; and
- (c) The auditors' design and performance of tests of control and substantive procedures to meet the audit objective.

General Control Lapses in the CIS Environment:

The nature of the risks and the internal control characteristics in CIS environments include the following:

- (a) Lack of transaction trails: Some CIS are designed in such a way that a complete transaction trail that is useful for audit purposes might exist only for a short period of time or only in computer readable form. Where a complex application system performs a large number of processing steps, there may not be a complete trail. Accordingly, errors embedded in an application's programme logic may be difficult to detect on a timely basis by manual (user) procedures. For example, some small ERP applications may or may not have inbuilt audit log for all the transaction insertion, modification deletions etc. whereas large ERP Environment would have included an Audit log. The GST Auditor shall assess the existence of these logs. It is pertinent to note that Rule 56 requires maintenance of complete trail in transactions reported in the computer software.
- (b) Uniform processing of transactions: Computer processing uniformly processes transactions with the same processing instructions. Thus, clerical errors ordinarily associated with manual processing are virtually eliminated. Conversely, programming errors (or other systematic errors in hardware or software) can result in all transactions being processed incorrectly. Eg: Erroneous Configuration of Party Address as the same state of Taxpayer would allow the system to compute the taxes of CGST and SGST as against IGST and vice versa. The GST Auditor has to be aware that certain values are auto computed.
- (c) Lack of segregation of functions: Many control procedures that would ordinarily be performed by separate individuals in manual systems may be concentrated in the CIS.

Thus, an individual who has access to a computer programme or the , processing of data may be in a position to perform incompatible functions For example, Transaction Accounting is done by Mr., the same may be used for Mr. Y independently for filing of the GST Returns.

- (d) Potential for errors and irregularities: The potential for human error in the development, maintenance and execution of the CIS may be greater than in manual systems, because of the level of detail inherent in these activities. Also, the potential for individuals to gain unauthorized access to data or to alter data without visible evidence may be greater in the CIS than in manual systems. In addition, decreased human involvement in handling transactions processed by the CIS can reduce the potential for observing errors and irregularities. Errors or irregularities occurring during the design or modification of application program or systems software can remain undetected for long periods of time. Eg: Invoices would have accounted or corrected after filing of GST Returns
- (e) Initiation or execution of transactions: The CIS may include the capability to initiate or cause the execution of certain types of transactions automatically. The authorization of these transactions or procedures may not be documented in the same way as those in a manual system, and management's authorization of these transactions may be implicit in its acceptance of the design of the CIS and subsequent modification. Once the System is configured, the choice of selecting Place of Supply, Rate of Tax, Type of Tax, Reporting Table in GST 1/GSTR 3B etc. is all auto driven by the system.
- (f) Dependence of other controls over computer processing: Computer processing may produce reports and other output that are used in performing manual control procedures. The effectiveness of these procedures is dependent on the effectiveness of controls over the completeness and accuracy of computer processing.

In turn, the effectiveness and consistent operation of transaction processing controls in computer applications is often dependent on the effectiveness of the general CIS controls. There could be certain data only in Books Purchase / Input Tax Credit Register and not in GSTR 2A. Reverse Charge Liability calculation and remittance, Advances received from Customers not invoiced etc.

- (g) Potential for increased management supervision: The CIS can offer management a variety of analytical tools that may be used to review and supervise the operations of the entity. Availability of these additional controls, if used, may serve to enhance the entire internal control structure. For example, Reconciliation of balance in Books of Accounts with Electronic Registers maintained by the GSTN.
- (h) Potential for the use of computer-assisted audit techniques: The case of processing and analyzing large quantities of data using computers may provide the auditors with

opportunities to apply general or specialised computer audit techniques and tools in the execution of audit tests. For example, the use of data analytics software, including MS Excel, specialized audit software, third-party software provided by an ASP or GST Suvidha Provider etc.

Both the risks and controls introduced in the CIS can impact the auditors' assessment of risk, and the nature, timing and extent of audit procedures.

3. Skills and competence

It is now clear that, the GST Auditors should have sufficient knowledge of the CIS to plan, direct, supervise and review the work performed. They should consider whether any specialised CIS skills are also needed for conducting the audit.

These may be needed to:

- (a) Obtain a sufficient understanding of Transaction Accounting, Data Extraction for filing of GST Returns, Reconciliation of Credits with Counter party submission and internal control systems affected by the organization for Authenticity, Accuracy, and completeness.
- (b) determine the effect of the CIS environment on the assessment of overall risk and with regard to the information reported in various tables of GSTR 9C Part A; and
- (c) Design and perform appropriate tests of control and substantive procedures.

If owing to the Volume of Transactions, Interpretation of data extracted from JSON or Excel files, if specialised skills are needed by, the auditors, they should seek help from professionals either from the auditors' staff or from another professional.

If the use of such a professional is required, the auditors should obtain sufficient appropriate audit evidence for such help, in accordance with SA 620 "Using the work of an expert".

4. Audit Planning

The auditors should obtain an understanding of the organization Internal Process of

- (a) accounting of Transactions
- (b) reporting to the GSTN Portal
- (c) reconciliation of filed data and
- (d) internal control systems implemented

To plan the audit and develop an effective audit approach to meet audit requirements.

In planning the portions of the audit which may be affected by the client's CIS environment, the auditors should obtain an understanding of the significance and complexity of the CIS activities and the availability of data for use in the audit.

This understanding would include matters like:

- (a) The significance and complexity of computer processing in each significant accounting application. Significance relates to the materiality of the financial statement assertions affected by the computer processing. An application may be considered to be complex when, for example:
 - (i) the volume of transactions is such that users would find it difficult to identify and correct errors in processing;
 - (ii) the computer automatically generates material transactions or entries directly to another application;
 - (iii) the computer performs complicated computations of financial information and/or automatically generates material transactions or entries that cannot be (or are not) validated independently; and
 - (iv) transactions are exchanged electronically with other organizations (as in electronic data interchange systems) without manual review for propriety or reasonableness;
- (b) the organizational structure of the client's CIS activities and the extent of concentration or distribution of computer processing throughout the entity, particularly as they may affect segregation of duties; and
- (c) The availability of data, such as source documents, critical computer files, and other evidential matter that may be required by the auditors may exist for only a short period or only in machine-readable form. Client CIS may generate internal reporting that may be useful in performing substantive tests (particularly analytical procedures). The potential for the use of computer-assisted audit techniques may permit increased efficiency in the performance of audit procedures or may enable the auditors to economically apply certain procedures to an entire population of accounts or transactions.

5. Preliminary Review

Before starting his work, the GST Auditor shall conduct a preliminary review to assess the CIS controls and the risks that could impact his work by considering the following points:

- (a) **Knowledge of the Business:** Its related aspects are as follows:
 - (i) Geographical presence and GST Registrations
 - (ii) Nature of Business, its products and services, GST configuration in systems.
 - (iii) Applicable provision of the GST Act, to the Client.

- (iv) Client Internal Team managing GST Compliance
 - (v) Internal SOP's prepared by the organisation for Accounting and reporting of transactions for GST.
 - (vi) GST Implementation and migration study document.
 - (vii) Finally, organization of IT department.
- (b) **Understanding the Technology deployed:** An important task for the auditor as a part of his preliminary evaluation is to gain a good understanding of the technology environment and related control issues. This could include consideration of the following:
- (i) Analysis of business processes and level of automation,
 - (ii) Assessing the extent of dependence of the enterprise on Information Technology to carry on its businesses i.e. Role of IT in the success and survival of business,
 - (iii) Assessment of the use of the different Software applications used in the processing and filing of GST returns
- (c) **Understanding Internal Control Systems:** For gaining understanding of the Internal Controls emphasis has to be placed on compliance and substantive testing.
- (d) **Risk Assessment and Materiality:** Risk Assessment is a critical and inherent part of the GST Audit for understanding the impact of wrong configuration, GST related transaction processing and compliances, etc. The practitioner would consider materiality when:
1. Planning and performing the assurance engagement, including determining the nature, timing and extent of procedures; and
 2. Evaluating whether the subject matter information is free from material misstatement.

Risks that affect a system and need to be taken into consideration at the time of assessment can be differentiated as inherent risks, control risks and detection risks. These factors directly impact the extent of audit risk, which can be defined as the risk that the information/financial report may contain a material error that may go undetected during the course of the audit. At this stage, the auditor needs to:

- (i) Assess the expected inherent, control and detection risk and identify significant audit areas.
- (ii) Set materiality levels for audit purposes.
- (iii) Assess the possibility of potential vulnerabilities, including the experience of past periods, or frauds.

Materiality is understood in the context of qualitative factors and, when applicable, quantitative factors. Their relative importance in a particular engagement is a matter for the practitioner's professional judgment.

6. Assessment of risk

The auditors should make an assessment of inherent and control risks for material financial statement assertions in the preparation of GSTR table 5 of GSTR 9C and its reconciliations of Financials and GSTR 9.

The inherent risk and control risk in a CIS environment may have both a pervasive effect and an account-specific effect on the likelihood of material misstatements, explained as follows:

- (a) the risks may result from deficiencies in pervasive CIS activities such as program development and maintenance, systems software support, operations, physical CIS security, and control over access to special-privilege utility program. These deficiencies would tend to have a pervasive impact on all the application systems that are processed on the computer; and
- (b) The risks may increase the potential for errors or fraudulent activities in specific applications, in specific data bases or master files, or in specific processing activities. For example, errors are not uncommon in systems that perform complex logic or calculations, or that deal with many different conditions. Eg: the segregation of a Zero-Rated Supply as Direct Export or an SEZ Supply, and if the supply is with payment of taxes or without payment of taxes. Any wrong configuration would have a direct impact on the methodology of claiming refund; erroneous reporting could also result in working capital blockage.

As new CIS technologies emerge, they are frequently employed by clients to build increasingly complex computer systems that may include automated transaction posting from one application to another, Automated filing of GST returns from Books of Accounts to GSTN, Use of API's in data transfer from ERP to third party ASP and GSP Applications. These systems increase the overall sophistication of the CIS and affect the complexity of the specific applications, which can increase the chances of risk.

If the CIS is too complex, the auditors should acquire understanding of the CIS environment and see whether it may influence the assessment of inherent and control risks.

Risks are categorized as follows:

Inherent Risk: Inherent risk is the susceptibility of information resources or resources controlled by the information assuming that there are no related internal controls. Inherent risk is the measure of auditor's assessment that there may or may not be material vulnerabilities or gaps in the audit subject exposing it to high risk before considering the effectiveness of internal controls. If the auditor concludes that there is a high likelihood of risk exposure,

ignoring internal controls, the auditor would conclude that the inherent risk is high. For example,

- (a) ERP Configurations for GST not audited.
- (b) GST Returns are filed manually using Excel files or data entry on the department portal without internal linking with the ERP System. This could result in errors.
- (c) Entry to ERP Systems allows backdated corrections and the same are not considered in reporting in GSTR 1 Table 9 and Table 10 for amendments

Control Risk: Control risk is the risk that can occur in an audit area, which could be material, individually or in combination with other errors, and will not be prevented or detected and corrected on a timely basis by the internal control system. Control risk is a measure of the auditor's assessment of the likelihood that risk exceeding a tolerable level and which cannot be prevented or detected by the client. For example,

- (a) Data synced for GST filing is not co-related with Books
- (b) Lack of control on Vendor / Customer addition to GSTIN Master Data
- (c) ITC Reversal not controlled / integrated with Books
- (d) Multiple ERP applications maintained in the same state consolidated manually before filing, control on inclusion of all data exists manually.

This assessment includes an assessment of whether a client's internal controls are effective for preventing or detecting gaps and the auditor's intention to make that assessment at a level below the maximum (100 percent) as a part of the audit plan.

Detection Risk: Detection risk is the risk that the IT auditor's substantive procedures would not detect an error which could be material, individually or in combination with other errors. For example,

- (a) The absence of GST System Implementation Audit
- (b) Wrong Configurations of HSN / POS
- (c) Improper Classification of Transactions in B2B / B2C1 / B2CS
- (d) Improper Classification of Transactions Taxable / Exempted / NON-GST / No Supply etc.
- (e) In-eligible ITC marked as eligible
- (f) GSTR 3B Credits and GSTR 2A not reconciled
- (g) GSTR 1 and GSTR 3B not Reconciled
- (h) Books and GSTR 1 not reconciled.
- (i) GSTN Electronic Register not integrated with Books etc.

The detection risk associated with lack of identification of disaster recovery plans is ordinarily low because its existence is easily verified.

7. Audit procedures and Testing of data

When the CIS is complex, the GST Auditor should consider the CIS environment in detail for designing audit procedures to reduce audit risk to an acceptably low level.

The auditor's specific audit objectives do not change whether accounting data is processed manually or by a computer. However, the methods of applying audit procedures to gather evidence may be influenced by the methods of computer processing. The auditors can use either manual audit procedures, computer-assisted audit techniques, or a combination of both to obtain sufficient evidential matter. However, in some accounting systems that use a computer for processing significant applications, it may be difficult or impossible for the auditors to obtain certain data for inspection, enquiry, or conformation assistance from IT staff. However, it is critical to understand that any digital data can be reviewed using computer assisted audit techniques. Hence, auditors have to spend time for understanding the processing of GST related transactions from a macro perspective by understanding the configuration of GST, creation of relevant masters and how GST-related transactions are processed. Specific data required for audit has to be identified from the CIS so that these can be extracted in required digital format and analysed for conformation of compliances or identification of deviations.

8. Documentation and Working paper

The auditors should consider integrating the working papers to the Client CIS Environment.

The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit to understand

- (a) Nature, timing and extent of audit procedures performed to comply with SAs and legal requirements.
- (b) The results of the audit procedures performed, and the audit evidence obtained
- (c) Significant matters arising during the audit, the conclusion reached thereon, and significant professional judgments made in reaching these conclusions.

In CIS Environment all the working papers are in electronic formats. These could be CSV, Excel, PDF, JPEG, JSON etc. The GST Auditor shall have a summary of the list of files as an Index and result of those files and cross link with various points in Part A and Part B of GSTR 9C

9. Reporting and Forming an Opinion

Part B of GSTR 9C required GST Auditor to issue a certificate along with the reconciliation statement in Part A. It may be noted that Audit certification also requires GST Auditor to confirm the examination of Financials and Review of Books of Accounts maintained. Accordingly he has to issue the Audit report with Opinion and Qualifications, if any that is qualified conclusion, adverse opinion or disclaimer of opinion.

It is pertinent to note all the above points have to be linked by the GST Auditor on the basis of the documentation obtained, reviewed and maintained.

10. Conclusion

GST Audits are going to be phenomenally different from the Traditional VAT/ Excise / Service Tax or other similar Audits. Since the CIS is substantial in the GST Audit. The GST Auditors should upgrade their skills to use the relevant IT tools for conducting the Audit. There would be multi fold challenges in GST Audit beginning from difference in classification of data between books of accounts and GST Reporting, Voluminous Data, multiple sources of data, multiple formats of data, correct application of GST provisions, and frequent changes to GST Law by way of Notification etc. Hence, IT Tools in CIS is the most critical skill-set required by a GST Auditor.

Insights on Input Tax Credit under GST

1.1. ITC Available

Input tax credit is money held in-trust by the Government with a promise to adjust or return it in future as per the provisions of law. Input tax credit is a right that vests on fulfillment of conditions. In certain circumstances even end use comes as a check to confirm the conditions of entitlement of credit.

Each tax – CGST, SGST, IGST and Cess – operates in individual compartment with the facility of cross utilization in a certain manner.

While credit may be available as a right, unless the vesting conditions are fulfilled, the said rights could get affected. It is therefore, imperative that the conditions for vesting of these rights are fulfilled.

ITC available in normal circumstances:

In general the ITC is available for the registered person, if the following conditions are fulfilled:

- (a) The inward supplies of goods and/or services are in the course or furtherance of business;
- (b) The inward supplies of the goods and / or services are other than those specified under Section 17(5);;
- (c) The recipient has received tax invoice on eligible inward supplies;
- (d) The recipient has received the goods and / or services;
- (e) The supplier of goods and / or services has paid tax on such outward supplies and declared the outward supplies in the relevant returns;

ITC available in special circumstances

The circumstances may change in the business, whereby under the law, the input tax credit that was not available as discussed above may need to be allowed in the changed circumstances. Section 18 envisions five such circumstances and carefully releases credit, though there may be many others like the transitional credit. Such circumstances would be as follows:

1. Input tax credit of GST paid on goods held in stock on the day immediately preceding the date of registration;

2. Composition dealer opting out of composition scheme can claim credit on the stock held on the effective date when composition scheme becomes inapplicable.
3. The goods or inputs held in stock on the day immediately preceding the date when exemption is withdrawn on supply of goods and / or services;
4. Change in the constitution of the entity due to sale, merger, demerger, amalgamation, lease or transfer of business, the transferee can claim the credit of unutilised balance of the input tax credit of the transferor.
5. Transitional Credit as per the provisions of the GST law on the introduction of GST.

Though the tax paid on various inward supplies are available on fulfilling the above conditions, that would not be full and final for utilization as further restrictions are put in place, which are discussed elsewhere in this chapter. Thereby this credit can be called as “Input Tax Credit Available”.

1.2. Input tax Credit Availed

Even when the Input tax credit is available, a Registered Person may choose not to avail it. He has the right to forego it or to avail it. Therefore, ‘availed’ is a positive action to ‘make known’ his intention to avail credit, on his filing of returns. Once credit is availed, consequences of an erroneous claim as well as the responsibility to satisfy subsequent conditions, would attach to the Registered Person. As such, it requires adjusting with a future liability to the Government, including interest and penalties.

Input tax credit claim refers to the credit declared by a Registered Person in a monthly return. Such credits would also appear in the electronic credit ledger. The input tax credit which is available but not ‘availed’ in the monthly returns cannot also be ‘availed’ in the annual return filed in Form GSTR – 9 and reconciliation statement in Form GSTR – 9C. Omission to avail within the time prescribed operates as a positive act or reflects intent to forego credit.

Disclosure in returns

The disclosure of the credit in normal circumstances could be as follows:

- (a) Sl. No. 4A of Form GSTR – 3B: To avail the input tax on eligible inward supplies;
- (b) Part III Sl. No. 6A of Form GSTR – 9: The input tax credit would be auto populated;
- (c) Part III Sl. No. 6B to 6H of Form GSTR - 9: Break-up of the input tax credit availed shall be declared in accordance with the description specified therein;
- (d) Part III Sl. No. 6K to 6M of Form GSTR – 9: Transitional credit and any other input tax credit for which the description is not available in the Form GSTR - 9;
- (e) Part III Sl. No. 6O of Form GSTR – 9: Total input tax credit availed should be declared;

The disclosure of the input tax in special circumstances is as follows:

- (a) Form ITC 01 / ITC - 02: The Input tax credit in special circumstances would flow from Form ITC 01 / ITC 02 to Electronic Credit Ledger.
- (b) Part III Sl. No. 6M of Form GSTR - 9: Total amount of input tax credit claimed in Form GSTR – 3B would be auto populated;
- (c) Part IV Sl. No. 12A & 12E of Form GSTR – 9C: Input tax credit as per audited annual accounts and input tax credit claimed in the annual return.

1.3. Input tax Credit Allowed

Considering, Input tax credit is available, it has been availed which is subject to scrutiny of satisfying conditions subsequent. Only when it passes muster, would credit be free from any doubts and become indefeasible. Credit is put to 'test of disallowance' to become 'allowed'.

Certain circumstances where the input tax credit, if availed, shall not be allowed under the Act can be traced to the following circumstances:

- (a) The inward supplies specified under Section 17(5) on which the input tax credit is claimed;
- (b) The recipient has claimed the input tax credit and the tax invoice is not received;
- (c) The recipient has claimed the input tax credit and the goods and / or services are not received;
- (d) Subject to the provisions of Section 42, the supplier of goods and / or services has not declared the outward supplies in the outward supply statement in Form GSTR -1 and the supplier has not paid the tax as declared in the monthly return in Form GSTR – 3B;

Disclosure in returns

Sl. No. 4A of Form GSTR – 3B: To avail the input tax on eligible inward supplies;

Part III Sl. No. 6A of Form GSTR – 9: The input tax credit would be auto populated;

Part III Sl. No. 4B to 4H of Form GSTR - 9: Break-up of the input tax credit availed shall be declared in accordance with the description specified therein;

Part III Sl. No. 4K to 4M of Form GSTR – 9: Transitional credit and any other input tax credit for which the description is not available in the Form GSTR - 9;

Part III Sl. No. 4O of Form GSTR – 9: Total input tax credit availed should be declared;

1.4. Input tax Credit Utilized

Input tax credit availed can be utilized by appropriating the 'money held in trust' with the 'liability incurred' by Registered Person towards the Government. Credit shall be utilized for payment of tax on outward supplies as specified under Section 49 of the Act. The amount debited to the electronic credit ledger shall be reckoned as input tax credit utilized.

Disclosure in returns

Sl. No. 6.1 of Form GSTR – 3B: Tax paid by way of utilizing the input tax credit shall be declared;

Part IV Sl. No. 9 of Form GSTR – 9: Tax paid by way of utilizing the input tax credit shall be declared;

1.5. ITC Restricted or ITC Ineligible

Input tax credit which satisfies the 'test of disallowance' partially will be restricted. But input tax credit that is entirely disqualified would be ineligible. Section 16 contains the conditions when the ITC becomes available to a person. On the other hand, Section 17 of the Act deals with the restricted and ineligible input tax credit. Therefore, the recipient claiming the input tax credit would be required to reverse the input tax credit claimed. The test of disallowance shall be framed on the basis of business facts and circumstance to ascertain restricted input tax credit - whether the inputs and / or input services are put to use for purpose other than business (Section 17(1)), exempt supplies (Section 17(2)) Negative list of inward supplies (Section 17(5)) would be considered as ineligible ITC for all purposes. It must be noted here that ITC which is restricted can be reclaimed if excess reversal was made earlier or when the conditions for reclaiming the input tax credit are satisfied. However, it must be noted that ineligible credit cannot be availed once it is declared as ineligible.

Disclosure in returns

Sl. No. 4(B) of Form GSTR – 3B: Restricted input tax credit should be declared as specified under Section 17 of the Act to be declared;

Part III Sl. No. 7A to 7H of Form GSTR – 9: Input tax credit reversed and ineligible input tax credit.

1.6. ITC blocked

Input tax credit which is declared to be ineligible even though it may be essential for the business of making taxable outward supplies. When declared to be 'blocked' credit, it leaves no occasion to even attempt at establishing nexus. At the same time there is no denying that these are required in the business. In fact, it is admitted that they are necessary for the

business. Yet, it is a policy to block this credit. Such input tax credit shall be declared in the returns and annual returns as ineligible input tax credit.

Disclosure in Form GSTR-9

SL. No. 4(D) (1): Ineligible ITC – As per Section 17(5);

Part III Sl. No. (E): Input tax credit ineligible as per Section 17(5).

It shall be noted that the total GST paid on inward supplies should be compiled and bifurcated into eligible input tax credit and ineligible input tax credit. The input tax credit whether eligible or ineligible should be declared in the return filed in Form GSTR – 3B. The monthly returns, annual returns and the reconciliation statement provides separate clauses for declaring ineligible input tax credit under Section 17(5), Rule 39, and Rule 42 etc. Insofar as ineligible input tax credit under Section 17(5) is concerned, it shall be declared against Sl. No. 4(D)(1) of monthly returns in Form GSTR – 3B and against Sl. No. 7E of annual return in Form GSTR-9 to the extent relatable to 4A of GSTR 3B.

Issues

- (a) Where a taxable person dealer has not maintained the details of ineligible input tax credit separately and has debited the GST paid on such supplies to the profit and loss account, even then the details of input tax credit should be declared in in respective Sl. Nos. of Form GSTR – 3B and Form GSTR – 9 to the extent reported in Table 4A of GSTR 3B.
- (b) Input tax credit not claimed in the annual return in Form GSTR-9, cannot be claimed in Form GSTR-9C. Therefore, the input tax credit should be declared in the monthly returns and also in the annual returns. The time limit specified under the law for claiming missed input tax credit shall be the return filed for the month of September following the financial year to which such credit relates or the date of filing the annual return, whichever is earlier.

Disclosure in Form GSTR-9C

There is no specific column for the disclosure of ineligible input tax credit under Section 17(5) of the Act. The reconciliation statement is designed in such a manner as to capture the eligible input tax credit of the GST paid on various inward supplies. The total tax paid on the inward supplies and the input tax credit eligible on such supplies should be declared against Sl. No. 14 of Part IV of the Form GSTR-9C.

In respect of input tax credit claimed by a taxable person by declaring in the monthly return and annual return which is subsequently identified to be the ineligible input tax credit in the

course of audit, such input tax credit which is claimed incorrectly should be remitted in cash. Such details should be declared against Part V of the reconciliation statement in Form GSTR – 9C and taxable person shall pay such input tax credit by cash.

In cases of input tax credit claimed by the taxable person on any inward supply of goods and / or services, where multiple views are possible insofar as eligibility is concerned, the auditor shall make suitable observations in the certificate to be issued in Part B of Form GSTR – 9C.

Illustrative list of goods and / or services where input tax credit may be blocked are:

- (a) Outdoor catering services procured by taxable person for serving food to employees which is mandatory under other statutes;
- (b) Rent-a-cab services received by a taxable person for transportation of employees from home to place of work;
- (c) Health insurance services received by a taxable person for employees;
- (d) Architect services in respect of construction of immovable property;
- (e) Repairs and maintenance of immovable property where such repair and maintenance has been capitalized in books of accounts;
- (f) Actual write off of goods.

1.7. ITC Recoverable

Incorrect availment of input tax credit or excess input tax credit distributed to one or more units in contravention of Section 20 would be recoverable. Any wrongly availed input tax shall be liable to interest.

1.8. ITC to be reversed in special circumstances

There is a specific reference in law to reverse/payback credit in the following circumstances:

1. The credit availed by a registered person under sub-section (1) of Section 10 i.e. person opting for composition levy shall payback/ reverse the credit on goods or inputs held in stock as on the date of opting for composition.
2. After paying back/reversal of credit, any balance in electronic credit ledger, the same would lapse.
3. Similarly, when the taxable supplies are exempted, it is required to payback/ reverse the credit on goods or inputs held in stock as on the date from which such supply becomes exempted. After paying back/reversal of credit, any balance in electronic credit ledger, the same would lapse. However, there is no clarity about the lapsing of credit, in cases where there are multiple supplies some of which continue to remain taxable.

4. Banking or a financial institution including an NBFC has an option to either comply with the condition of sub-section (2) of Section 17 for reversal of common credit used for exempt supply or 50% of the input tax credit shall be reversed. The amount of input tax credit of 50% shall be treated as lapsed.

Disclosure in Form GSTR-9: It has to be disclosed at Part III Sl. No. 7H of Form GSTR – 9: Other Reversals

2. Reverse Charge – Input tax credit

2.1. Inward supply from unregistered dealers – Section 9(4) of the CGST Act and Section 5(4) of the IGST Act

Disclosure in Form GSTR-9

Tax paid on inward supplies from unregistered persons which is liable to reverse charge under Section 9(4) of CGST Act (Section 5(4) of IGST Act) should be disclosed in Part III Sl. No. 6C of Form GSTR-9. It is relevant to note that only those supplies on which tax has been paid and input tax credit has been availed have to be reflected under Sl. No. 6C of Form GSTR-9. Tax paid for supplies procured from unregistered dealers and where input tax credit has not been availed on such supplies, need not be reported under Sl. No. 6C of Form GSTR-9.

The tax paid and input tax credit availed on supplies received from unregistered dealers have to be categorized into inputs, capital goods and input services.

Notification No. 38/2017 – CT (Rate) dated 13.10.2017 was issued exempting the payment of tax under reverse charge for supplies received from unregistered persons. Therefore, under Sl. No. 6C of Form GSTR-9, the input tax credit of GST paid under reverse charge mechanism was only for the period 01.07.2017 to 12.10.2017.

Disclosure in Form GSTR-9C

There is no specific column for disclosure of tax paid and credit availed for supplies procured from unregistered dealers. However, such amount has to be disclosed against Sl. No. 14 of the Form GSTR-9C under the respective category of expenses.

2.2. Specific supplies liable to GST under reverse charge – Section 9(3) of CGST Act and Section 5(3) of IGST Act

Disclosure in Form GSTR-9

Tax paid on supplies which are liable to reverse charge under Section 9(3) of CGST Act (Section 5(3) of IGST Act) should be disclosed against Sl. No. 6D of Form GSTR-9. It is relevant to note that only those supplies on which tax has been paid and input tax credit has

been availed have to be reflected under the Sl. No. 6C of Form GSTR-9 for the unregistered supplier or 6D of Form GSTR-9 for the registered supplier.

The amount to be disclosed under this clause has to be split between inputs, capital goods and input services.

Disclosure in Form GSTR-9C

There is no specific column for disclosure of tax paid and credit availed on inward supplies affected from unregistered dealers. However, such amount has to be disclosed against Sl. No. 14 of Form GSTR-9C under the respective category of expenses.

2.3. Issues

- (a) During the audit, the auditor identifies inward supplies which are liable to GST under reverse charge on which tax is not remitted by the auditee. The auditor ascertains the liability and advises the auditee to remit the GST. Such details shall be declared against Sl. No. 11 of Form GSTR-9C. Will such tax paid by a taxable person be eligible for claiming input tax credit?

Ans. Yes. It could be eligible for customer if invoice raised for the same.

Where the period prescribed under Section 16(4) has lapsed, that is due date of filing the return for the month of September following the financial year or the date of furnishing the annual return whichever is earlier.

- (b) Will the taxable person be entitled to claim input tax credit of the GST paid under reverse charge in Form GSTR-9C?

Ans. Yes, if eligible.

3. Credit on import of goods

Disclosure in Form GSTR-9

IGST paid on the import of goods and capital goods and availed as credit has to be disclosed under Sl. No. 6E of Form GSTR-9. Further, goods procured from SEZ, where the Bill of Entry has been filed by the dealer also has to be disclosed under this Sl. No. 6E.

IGST paid on the import of goods and capital goods irrespective of whether input tax credit has been claimed or not shall be disclosed against Sl. No. 8G of Form GSTR-9.

The difference between Sl. No. 6E (Auto populated in Sl. No. 8H) and Sl. No. 8G of Form GSTR-9 would be IGST paid on imports which are not eligible as input tax credit. For example, IGST paid on goods imported which are used for effecting exempt supply.

It is relevant to note that the input tax credit paid on import of goods would not appear in Form GSTR-2A. Therefore, adequate care has to be taken to ascertain the input tax credit of GST paid on the import of goods and to declare that against SI. No. 6E.

Further it may also be noted that as per SI. No. 8G compared with SI. No. 8H, if any credit is not availed during the same financial year, there is no provision for mentioning credit availed in the subsequent financial year before September just like it is in SI. No. 8C. Therefore clarity is awaited in this regard.

Disclosure in Form GSTR-9C

There is no specific column for disclosure of tax paid on the import of goods. However, such amount has to be disclosed against SI. No. 14 of Form GSTR-9C under the respective category of expenses.

4. Input Tax Credit not available

4.1. Rule 37 – Payment in respect of input tax credit where payment has not been made to vendors within 180 days

As per Section 16(2) of the Act read with Rule 37, a dealer is liable to reverse the input tax credit where the payment has not been made to the supplier within 180 days from the date of issuance of invoice. Where only partial payment has been made to the supplier, the dealer is liable to reverse the input tax credit on the balance consideration to be payable on the expiry of 180 days. It is important to note that the taxable person is liable to pay interest from the date on which input tax credit is availed till the date of payment date. The period of 180 days should be considered from the date of invoice and not from the day on which the supplies have been received.

The taxable person is entitled to re-claim (except interest, if any paid) the input tax credit after effecting the payment to the supplier. It is relevant to note that the time limit specified under Section 16(4) is not applicable for re-claiming the credit reversed under Rule 37. This infers that the recipient is entitled to re-claim the input tax credit without any time limit.

The payment of input tax credit under Rule 37 shall be declared against SI. No. 7A of Form GSTR-9. The details of input tax credits re-claimed by paying the consideration shall be declared against SI. No. 6H of Form GSTR-9.

Where the dealer has not paid such input tax credit under Section 16(2) read with Rule 37, the auditor should disclose such details in Part V of Form GSTR-9C.

Issues:

- (a) **Sundry creditors written back:** Where the profit and loss account of the taxable person reflects any amount credited as write-off of creditors as no longer payable, the

auditor shall examine the details of input tax credit, if any claimed on such inward supplies and ensure that the input tax credit is reversed.

- (b) **Retention amount / Performance guarantee amount held back:** The amount withheld as retention money or the security towards the defect liability period would amount to non-payment of consideration to such an extent. Therefore, in terms of Section 16(2) the taxable person should reverse the input tax credit attributable to amount of consideration withheld as retention money.
- (c) **Condition of 180 days do not apply on certain supplies:** The condition for payment of consideration within 180 days as specified under Section 16(2) is not applicable to the supplies enlisted under Schedule I in terms of proviso to Rule 37(1)

Similarly, where any amount has been incurred by the recipient on behalf of the supplier, and such value has not been included in the price actually paid or payable for such supply, the amount incurred by the recipient is liable to be included in the value of such supply. Where the value of supply includes any such amount, the dealer is not liable to reverse input tax credit on such amount.

4.2. Taxes paid under Section 74, 129 and 130

In terms of Section 17(5), the amount of tax paid by the supplier under Section 74, Section 129 and Section 130, the option of claiming the input tax credit of such tax paid is not available. Further, the supplier would also not be entitled to claim the credit of GST paid under reverse charge if such tax is paid under Section 74, Section 129 and Section 130.

Blocked Credits for taxes paid under Section 74

In case of short payment of tax or non-payment of tax on the part of the supplier, the officer can issue notice to such a person for recovery of tax under Section 74 where the reason for non-payment / short payment of tax is by way of fraud, willful misstatement or suppression of fact. Such taxes when paid under Section 74 cannot be made available as credit to the recipient. In case of payment of tax under reverse charge, the person making the payment of tax being the recipient himself would not be able to avail the same subject to the limitation provision set out in Section 74.

Blocked Credits for taxes paid under Section 129

In case the goods are being transported / stored in contravention of the GST Laws, the goods and the conveyance carrying such goods can be detained or seized by the proper officer and taxes on the said goods can be demanded by the officer under Section 129. The person has the option to pay the taxes under protest against the order and detaining or seizing the goods / conveyance and file an appeal for the recovery of the amount paid.

Blocked Credits for taxes paid under Section 130

Taxes can be demanded under Section 130 in the following circumstances:

- (a) When goods are supplied or received in contravention of any of the provisions of this Act or the rules thereunder with intent to evade payment of tax; or
- (b) When a person does not account for any goods on which he is liable to pay tax under this Act; or
- (c) When he supplies any goods liable to tax under this Act without having applied for the registration; or
- (d) When he contravenes any of the provisions of this Act or the rules made thereunder with intent to evade payment of tax, or
- (e) When he uses any conveyance as a means of transport for carriage of taxable goods in contravention of the provisions of this Act or rules made thereunder unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the conveyance.

Allowability of Credits of taxes paid under Section 73

Section 73 is about the determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized for any reason other than fraud or any wilful misstatement or suppression of facts. Any taxes paid under this section are allowable as credit to the recipient as the amounts are found to be unpaid not on account of any fraud, wilful misstatement or suppression. The person paying the same can issue a debit note against which credit can be availed by the recipient.

In this context, the following issues may arise:

- (a) Credits of taxes paid by the supplier based on the notice or assessed by way of order under Section 74, Section 129 and Section 130 are not eligible for credit in the hands of the recipient, but credit of taxes paid by the supplier based on notice or order issued under Section 73 are eligible for credit in the hands of the recipient;
- (b) The document for recovery of tax to be raised by the supplier from the recipient shall be revised invoice / debit note. If the same is issued to recover tax paid by the supplier based on notice under Section 74, Section 129 and Section 130 then it may be advisable to keep the customer informed.³
- (c) Credits covered under this head are required to be reported at:
 - (i) SI No 4(D)(1) of the Form GSTR 3B
 - (ii) Part III – SI No 7E of the Form GSTR 9

³ In cases where tax payer agrees to wrong doing or where the final decision of the adjudicating/ appellate authority is that there was a mala fide, then customer cannot avail the credit. If it was bona fide then credit would be available to the customers.

4.3. Write-off vs. Depreciation

Section 16(3) of the Act specifies that the input tax credit cannot be claimed on capital goods in a case where depreciation on the tax component of the capital goods has been claimed. Accordingly, the auditor has to ensure that additions in the fixed asset register does not include the amount of tax paid thereon and accordingly, may allow the input tax credit.

Section 2(19) of the Act defines the term “Capital goods” to mean *“goods, the value of which is capitalized in the books of account”* Section 17(5) (h) of the Act specifies that credit shall not be available in case the value of goods is written off. Hence, the input tax credit shall be reversed on the total value of assets (say decommissioning of an asset) written off. The issue that may arise herein is whether the partial write-off of the value of assets / goods requires the proportionate reversal of input tax credit. It shall be noted here that if the asset is transferred permanently or disposed of without consideration which qualifies as supply under Schedule I, shall be liable to GST as outward supply. Therefore, this does not require reversal of input tax credit claimed on inward supply of such goods / assets.

Dual benefit of credits

Section 16(3) places an embargo on claiming depreciation under Income-tax Act. It is applicable only in case of ‘goods that are capitalized’. Inputs and input services are not covered in this provision. Although it is an unhygienic accounting entry to treat the GST portion of the value of input or input service as expenditure, it still does not come within this provision. It would also not come within 17(5) (h). It is somewhat surprising why someone may not attempt this. Accounting Standards for Income-tax purposes, called ICDS, prescribes exactly this in Para 5 of ICDS II – Inventories. Where it does not permit is carrying over the ‘recoverable tax’ portion of the cost of inventory. Conscientious Registered Person may exclude credit from expense in the books of accounts but comply with ICDS II for in determining tax liability. But, surely, the Government is not naive.

4.4. Transitional credit Form GST TRAN-I/TRAN-II

A requirement in the annual return and reconciliation statement to declare the transitional credit claimed by filing a declaration in Form GST Tran-I. The details of such transitional credit claimed should be declared against Sl. No. 6K of Form GSTR-9. In the course of audit, the details of goods purchased, or services received should be obtained to ensure that transitional credit, if any claimed by the taxable person is proper and covered in the transitional provisions.

Transitional credit as claimed in Form GST Tran-II is required to be declared in Sl No. 6L of Form GSTR 9. The details of the goods supplied during the six tax periods after the enactment of GST in respect of which ITC has been taken in Form GST Tran-II should be declared here. It must be ensured that this transitional credit has been calculated correctly without contravening the relevant provisions of the law.

Disclosure in Form GSTR-9

- Transitional credit claimed in the declaration filed in Form GST Tran-I should be declared against Sl. No. 6K of the annual return in Form GSTR-9;
- Transitional credit claimed in the declaration in Form GST Tran-II should be declared against Sl. No. 6L of the annual return in Form GSTR-9;
- The transitional credit declared in Form GST Tran – I, if any identified to be reversed in the course of audit shall be declared against Sl. No. 7F of the annual return in Form GSTR-9; and
- The transitional credit declared in Form GST Tran - II, if any identified to be reversed in the course of audit shall be declared against Sl. No. 7G of the annual return in Form GSTR-9.

Disclosure in Form GSTR-9C

The reconciliation statement in Form GSTR – 9C does not seek details of the transitional credit claimed by the taxable person.

Issues

- (a) **Transition returns not filed (original or revised) due to technical glitches:** Where taxpayers were not able to claim transitional credit by filing declarations (Form GST Tran – I / Form GST Tran – II) due to technical glitches, an opportunity to claim transitional credit by filing declarations is extended to 31.03.2019 to certain aggrieved taxable persons vide Order No. 4/2018-GST dated 17.09.2018 read with Circular no. 39/13/2018-GST dated 03.04.2018. In this regard, it shall be noted that the declarations, if any filed after 31.03.2018 shall not be declared in the annual return in Form GSTR – 9 and the reconciliation statement in Form GSTR – 9C to be filed for the period July 2017 to March 2018. Such declarations filed should be appropriately considered in the annual return in Form GSTR – 9 and reconciliation statement in Form GSTR – 9C to be filed for the period 2018-19.
- (b) **Transitional credit claimed incorrectly in Form GST Tran – I / II which would be revised subsequently as per the above Order and Circular:** The transitional credit declared in the original declaration in Form GST Tran – I and II shall be declared against Sl. No. 6K and 6L respectively, of the annual return in Form GSTR-9. The auditor may provide a note in the certificate to be issued in Part B of Form GSTR – 9C on the revised eligible transitional credit by filing the revised Form GST Tran – I / II after 31.03.2018. In case the revised Form GST Tran – I / II is not filed, the auditor may ascertain the revised eligible transitional credit and may provide a note in the certificate to be issued in Part – B. In respect of Form GST Tran-II the comments are subject to the extension provided by the Government.

- (c) **One-year time limit – Section 140(3) (iv):** The Hon'ble Gujarat High Court in the case of Filco Trade Centre Pvt. Ltd. vs. UOI in Special Civil Application number 18433 of 2017 has held that the time limit of one year provided in Section 140(3) (iv) of the Act is unconstitutional. However, the Hon'ble Bombay High Court in the case of Evergreen Seamless Pipes and Tubes Pvt. Ltd. & Ors vs. UOI WP No. 12378/2017 has upheld the constitutional validity of the time period prescribed under Section 140(3) (iv) of the CGST Act. In view of this, where the taxpayer has availed credit in respect of goods which were purchased prior to 12 months from 01.07.2017, the auditor may make a suitable observation in the certificate to be issued in the Part B of Form GSTR – 9C.
- (d) **Impact of proposed retrospective amendment on transitional credit claimed under Section 140(1) of the Act:** The amount of Krishi Kalyan Cess paid under Section 140(1) shall be reversed in terms of the proposed amendment to Section 140(1). The taxable person, subsequent to the amendment may reverse the input tax credit by declaring in the return filed during 2018-19 in Form GSTR – 3B. Such reversal shall be declared in the annual return in Form GSTR – 9 and reconciliation statement in Form GSTR – 9C. Necessary discourse may also be as observation on the certificate to be issued under Part B of the reconciliation statement in Form GSTR – 9C.

5. Merchant exports - 0.1% read with Rule 96(10)

In terms of Rule 96(10) of the CGST Rules, 2017 any person being the recipient is availing the benefit of Notification 41/2017 Integrated Tax (Rate) - Merchant Exports at the reduced rate of tax at 0.1% (CGST 0.5% and SGST 0.5%) is restricted from claiming refund of integrated tax paid on the export of goods or services (on rebate), though refund of unutilized credit is permissible. .

Recipient of goods:

Such exporters should ensure that even if one vendor has availed the benefit of merchant exports, he does not choose the option of exporting with the payment of tax. Alternatively he has to ensure that he does not allow any vendor to choose this option of availing the benefit of merchant exports.

Supplier of goods:

In the hands of the supplier of goods who is availing the benefit of 0.1%, he would have overflow of credits because of input tax being taxed at higher rate of tax than his output tax rate. In such a scenario such supplier should avail the benefit of refund of ITC of goods under inverted duty structure.

ITC eligibility to a person registered under Section 10:

In terms of Section 10(4) of the Act any person opting to pay tax under Section 10 is not eligible to claim credit of the input tax. In the annual returns in Form GSTR – 9A at Part IV Sl. No. 16, the following details shall be declared:

- (a) Credit reversed on opting in the composition scheme
- (b) Credit availed on opting out of the composition scheme

In case the taxable person who has claimed the input tax credit exercises the option to pay tax under Section 10 of the Act during the year, the amount of input tax credit contained in inputs held in stock, semi-finished goods, finished goods and capital goods shall be paid by debiting the electronic credit ledger or electronic cash ledger. Any balance of credit after such reversal shall stand lapsed.

In this regard, the following details are relevant:

- (a) details of stock including work in progress and finished goods lying as on the effective date of exercising the option to pay tax under composition scheme;
- (b) the value of capital goods to be ascertained as per the method specified under Section 18(4) of the Act;
- (c) reversal of input tax credit and the declaration filed in Form ITC – 03;

ITC in case of job work

Only after satisfying the conditions and restrictions given under Rule 45 of the CGST Rules 2017, the principal is allowed to take input tax credit on both inputs and capital goods sent to job worker. This is allowed even if the inputs are directly sent to the job worker without being brought to the principal's place of business. It should be ensured that the conditions and restrictions which are required to be adhered to are satisfied by the principal and then be allowed to take ITC. Any incorrect ITC taken by the principal in contravention of the provisions given herein should be subject to reversal. These relevant checks should be made by the auditor in respect of the ITC on job work taken by the principal.

6. Audit Check**6.1. Review nexus:**

Another important aspect to be verified by the GST Auditor is the nexus between input and output in respect of that distinct person. Though direct nexus between input and output is not mandated by the law for claiming input tax credit, there is an indirect reference for establishing nexus in Section 16 of the GST Act, 2017, which entitles input tax credit on inputs, input services and capital goods used or intended to **be used in the course or furtherance of his business**. Further, there are various restrictions specified under Section 17 because of which it would be evitable to establish the nexus between input and output.

6.2. Identify 'why' reversed:

Once the list of input tax credit not availed and the input tax credit reversed by the taxable person is reviewed, the Auditor should identify and analyze the reason for reversal of non-availment or reversal. This is necessary for ensuring that no input tax credit is missed out or reversed wrongly, and that the ineligible input tax credit right is ascertained appropriately and is reversed accordingly. If the incorrect input tax credit is reversed in excess, it shall be verified that such credit is re-claimed within the timelines prescribed under Section 16(4). In case of short reversal, the amount shall be paid along with interest.

For example: the credit of inward supplies put to use for non-business purposes is termed as 'D2' for computation of reversal of under Rule 42. This should ideally be 'Nil' in case the taxable person is the Company. If any amount is disclosed as 'D2', it would have an adverse reporting requirement under the provisions of the Companies Act, 2013 and CARO.

6.3. Re-statement of Rules 42 and 43:

Rule 42(2) requires true-up of the reversals made during the financial year based on the turnover of the registered person during the financial year. Any short reversal shall be added to the output tax liability and excess reversal shall be claimed as credit by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.

The GST Auditor needs to ensure that the true-up is done by the taxable person within the time limits prescribed.

6.4. ITC restored (Rule 37):

There is a requirement to reverse the ITC in case the payment to the supplier is delayed beyond 180 days under Section 16 (2) Rule 37. However, once the payment is made to the supplier, the taxable person becomes eligible to re-claim the credit as per Second proviso to Section 16 (3). The GST Auditor needs to verify and ensure that the credit reversed under Rule 37 has been re-claimed by the Auditee upon subsequent payment. Though time limit under Section 16(4) is not applicable for re-claiming credit, one need to keep track of such reversals and ensure that the ITC reversed has not been expensed off in books.

Chapter 8

Important Aspects to Know

A. Financial Credit Note

1. **Analysis:** In terms of Section 34 of the CGST / SGST Act, 2017 the supplier of goods and / or services is permitted to issue credit notes and debit notes in very specific situations which are summarized in the following manner:

Credit notes	Debit notes
Taxable value or tax charged in the tax invoice is found to exceed the taxable value or tax payable.	Taxable value or tax charged in the tax invoice is found to be less than the taxable value or tax payable
Goods supplied are returned by the recipient.	
Goods and / or services or both supplied are found deficient.	
Pre-agreed discount given after the issue of invoice subject to conditions.	

The provisions state that a credit note can be issued either by reducing taxable value or tax payable on an earlier supply. Accordingly, some experts believe that, credit note can be issued by reducing the taxable value without affecting the tax involved in the amount of such reduction. In this regard, the attention to the proviso to Section 34(2) where reduction in output tax liability of the supplier is not permitted, if the incidence of tax and interest on such supply has been passed on to any other person. Verification of this fact in the books of the counter party is admittedly too onerous but if such credit notes are correctly reported in GSTR 1, it would leave a trail for verification and compliance in due course.

For these reasons, it is believed that a taxable person may issue a credit note reducing the value of original supply without tax attributable to the reduction claimed. Such credit notes are referred to as 'financial credit notes'. When financial credit note is issued by a supplier, it would adjust turnover of the original supply and hence the revenue recorded in the books of accounts. However, such credit notes would not be declared in the returns under the GST law.

Now, there would be difference in revenue as per the audited annual financial statements and the turnover reckoned for the purpose of GST returns. The value of such credit notes should be declared against Pt. II Sl. No. 5J as 'credit notes accounted for in the audited Annual Financial Statement but are not permissible under the GST'. This Pt.5J increases the revenues as appearing in the audited financial statements (minus of a negative value would be a plus).

It is evident from the above that credits notes not admissible under the GST would attract incidence of GST. And for this reason, it is not advisable to issue such credit notes that omit to adjust the tax involved in the reduction sought to be made to the value of original supply.

It is relevant to note that credit notes issued under the provisions of Section 34 viz., mentioning the value of taxable value and the tax payable thereon as well is not required to be declared in the reconciliation statement in Form GSTR 9C for the reason that such credit note would have already been declared in the monthly returns / annual returns.

2. **Situations in which the financial credit notes are issued:** Legally, any reduction in the taxable value would require reduction in the tax payable on the relevant supply of goods and / or services. However, there are certain situations in which issuance of credit notes mentioning the amount of GST would not be permitted. Some of such illustrative situations are given below:
 - (a) **Discounts offered post supply:** The discount issued by the supplier after effecting supply of goods and / or services if not in terms of the provisions as specified under Section 15(3) of the CGST / SGST Act, 2017, the supplier cannot claim reduction in the output tax liability. In such a scenario, the supplier cannot claim reduction in the output tax liability and to adjust the value of supplies by way of offering discounts after affecting the supply of goods and / or services, the supplier may issue a credit note without mentioning the corresponding amount of tax.
 - (b) **Credit notes issued in relation to exempt supplies, zero-rated supplies and non-GST outward supplies:** The supply of exempt, zero-rated and non-GST outward supply of goods and / or services are not liable to GST. In such a scenario, the credit notes issued for claiming reduction in the taxable value shall be recorded in the audited annual financial statements. Such credit notes should be declared against Pt. II Sl. No. 5J of Form GSTR – GSTR 9C.
 - (c) **Credit notes issued after expiry of the time limit specified under the GST law:** In terms of Section 34 of the CGST / SGST Act, 2017, a supplier cannot issue a credit note any time after either of the following two events:
 - (i) Annual return has been filed for the FY in which the original tax invoice was issued; or
 - (ii) September of the FY immediately succeeding the FY in which the original tax invoice was issued (i.e., for a tax invoice issued in April 2018 as well as a tax invoice issued in March 2019, the relevant credit notes cannot be issued after September 2019;

- (d) **Refund of the consideration where the tax is not refunded to the recipient:** The supplier of goods and / or services may, in terms of the agreement, in a situation of unfructified supplies, refund only the amount received towards the value and not the taxes collected. In such a scenario, the supplier may issue financial credit notes without mentioning the amount of tax applicable thereon.
- (e) **Other situations:** There could be certain situations where the supplier despite of issuing credit notes specified under Section 34 of the CGST / SGST Act, 2017 may issue financial credit notes. This appears to be an interpretational issue whether issuance of such financial credit notes in lieu of the GST credit notes is appropriate or otherwise. This practice of issuance of credit notes is followed in the following situations:
- (i) Sales returns – the supplier may deny issuing the GST credit note for return of goods;
 - (ii) In automobile sector, the manufacturer generally instructs the dealer to supply vehicles at a discounted price and agrees to adjust such discount from the amount receivable from the vehicle dealer. Such adjustments are done without adjusting the amount of GST collected at the time of effecting supply of vehicles by the manufacturer to the dealer.
 - (iii) In the case of pharma industry, the value of expired / unexpired goods returned is adjusted out of amounts receivable from the super distributors, whole sale distributors, distributors etc., Such adjustments are generally carried by way of financial credit notes.

It is clear from the above illustrations that while the GST credit notes in case of supply of goods and / or services should be issued in terms of Section 34, it may not always be practicable to do so. However, in the case of the illustrations listed under para e 'other situations' the question whether the practice of issuing them would be appropriate and in compliance with the GST law is still unanswered.

3. **Compliances and treatment of financial credit notes:** The financial credit notes issued by a taxable person should not be declared either in the monthly returns filed in Form GSTR 3B or outward supply statement filed in Form GSTR – 1 since, it does not involve adjustment of output tax payable. Financial credit notes would also not be declared in the annual return filed in Form GSTR – 9. Inasmuch as the reconciliation statement in Form GSTR 9C is concerned such financial credit notes may be declared for the reason that the value of such notes is given effect in the revenue of the audited annual financial statements. Therefore, such credit notes whether issued in terms of Section 34 or otherwise, should be declared against Pt. II of Sl. No. 5J of the Form GSTR 9C.

4. **Implications upon issuance of financial credit notes:** With reference to the explanations given above, financial credit notes would not adjust the amount of GST involved in the original tax invoice issued at the time of supply of goods and / or services. Accordingly, the transaction value of supply of goods and / or services shall stand reduced although tax paid thereon remains the same. This may result in a higher amount of GST being paid considering the adjusted value of the original supply. In this regard, attention is invited to Section 16(2) of the CGST / SGST Act read with Rule 37 of the CGST Rules, wherein it is stated that unless payment of consideration is not made within 180 days from the date of issuance of invoice, the recipient would not be entitled to input tax credit to the extent of the shortfall in payment. Some proponents of the permissibility of financial credit notes believe that 'payment' is intended to refer to 'settlement of invoice', and such settlement could arise by actual payment or through financial credit note. It is a matter to be carefully considered in the light of the effect that Pt.II Sl.no.5J has on the taxable value of outward supplies in the reconciliation statement.

B. Implications of Section 77 of the CGST Act read with Section 19 of the IGST Act

I. Introduction

It is possible for an Auditor to come across situations where a registered person has paid the wrong kind of tax viz, CGST and SGST / UTGST in lieu of IGST and vice versa. Therefore, such incorrect payment of tax, if any, should be identified and considered appropriately.

A plain reading of Section 77 of the CGST Act and Section 19 of the IGST Act, 2017 (which are *pari- materia*), a reasonable inference can be drawn that the provisions of the said sections shall apply only in a situation where it is '**held**' that a wrong tax is charged and paid. The word '**held**' must be understood to construe a situation where an adjudicating authority holds an interstate transaction as intra-state transaction or vis a versa. This reasoning is also supported by the fact that the later part of the sections speak of "shall be granted refund" which necessarily implies that the adjudicating authority who holds a transaction where a tax is wrongfully charged and paid shall also be vested with the duty to grant refund. At this juncture, it may be important to note that some experts believe that the rigors of unjust enrichment contained in Sec. 54(4)/ (5) of the CGST Act would still have to be satisfied. However, it is possible that in such a situation the provisions of Section 54(8) of the said Act help in alleviating difficulties and enabling one to seek refund.

A situation where parties themselves decide that a wrong tax has been charged and paid would not fall within these two provisions, whereas the effect of it must be given through table 9A of GSTR 1 read with GSTR 3B.

II. Analysis

- (a) Section 77 of the CGST Act provides for the adjustment of taxes paid incorrectly. Where a registered person has considered a transaction to be an **intra-State** supply and paid

CGST and SGST/UTGST, and is subsequently held to be an **inter-State** supply and IGST is liable to be paid, the registered person, is required to pay IGST on such transaction. The registered person is entitled to claim refund of CGST and SGST/UTGST paid on the transaction. In such situations interest is not payable by virtue of Section 77(2) of the CGST Act and 19(2) of the IGST Act, 2017.

- (b) Similarly, where the registered person has considered a transaction to be an **inter-State** supply and paid CGST and SGST/UTGST, and is subsequently held to be an **intra-State** supply and CGST and SGST/UTGST is liable to be paid, the registered person is required to pay the applicable CGST and SGST/UTGST on such transaction. In this situation also, it is to be noted that interest is not liable to be paid when the correct tax is paid.

III. Illustrations:

Situation 1 – Supply treated as intra-State supply and CGST and SGST/UTGST paid, whereas, the said supply is an inter-State supply and IGST is liable to be paid. Such error has been identified and rectified in the returns filed for the period July 2017 – March 2018

- (a) Where the supplier has amended the turnovers relating to intra-State supply declared in the returns filed earlier as inter-State supply in Form GSTR 1 filed for the period July 2017 to March 2018 the amount of IGST is paid thereon should be declared against Part II Sl. No. 4K of Form GSTR – 9. Similarly, the amount of incorrect CGST and SGST / UTGST paid earlier should be declared against Part II Sl. No. 4L. If the supplier has filed an application seeking refund of CGST and SGST/UTGST paid earlier (prior to filing of Form GSTR – 9), the details should be furnished against Part VI Sl. No. 15A.
- (b) The amount of IGST applicable on the supply should be declared appropriately in Part III Sl. No. 9 of Form GSTR – GSTR 9C. The total amount of tax paid as declared in Annual Return (GSTR 9) against Part III Sl. No. 9Q would be in excess of the amount of tax payable. Therefore, the reason for unreconciled amount of tax shall be mentioned under Part III Sl. No. 10 as “excess tax incorrectly paid as intra-State supply instead of inter-State supply”.

Situation 2 – Supply treated as intra-State supply and CGST and SGST/UTGST is paid. However, supply is inter-State supply and IGST is liable to be paid. Such error has been identified and rectified in the returns filed for the period April 2018 – September 2018 alongwith claim of refund

- (i) Where the supplier has amended the tax paid on intra-State supply declared earlier, as inter-State supply in the Form GSTR 1 filed during the period April 2018 – September

2018, such adjustment of taxes shall be declared in Part V Sl. No. 10 and Part V Sl. No. 11 of Form GSTR-9. The IGST payable shall be added by declaring the liability against Part V of Sl. No. 10 in GSTR 9.

In respect of CGST and SGST/UTGST, the registered supplier should not reduce the liability under Sl. No. 11 of Form GSTR-9. This is for the reason that the supplier is required to file an application for refund of CGST and SGST/UTGST paid on the transaction.

- (ii) The amount of IGST applicable on the supply should be declared appropriately in Part III Sl. No. 9 of Form GSTR – GSTR 9C. The total amount of tax paid as declared in Annual Return (GSTR 9) against Part III Sl. No. 9Q would be in excess of the amount of tax payable. Therefore, the reason for unreconciled amount of tax shall be mentioned under Part III Sl. No. 10 as “excess tax incorrectly paid as intra-State supply instead of inter-State supply”.

Situation 3 – Supply treated as intra-State supply and CGST and SGST/UTGST is paid. However, supply is inter-State supply and IGST liable to be paid. Such error has been identified but not rectified in the returns filed

- (a) Where the incorrect tax paid on a supply is identified subsequently and the same is not amended in Form GSTR 1 filed till September 2018, then there does not arise any requirement to adjust the tax paid incorrectly in Form GSTR-9. The correct tax liability has to be declared against Part III Sl. No. 9 of GSTR 9C and the applicable tax has to be remitted appropriately.
- (b) The correct tax liability must be declared in sl. No. 9 of GSTR 9C. The registered supplier has to take steps to file the refund application in respect of taxes wrongly paid.

IV. Conclusion:

The auditor should, in such cases, devise a suitable audit program to ascertain the nature of supply and shall verify the nature of taxes collected and paid. After appropriate checks, the rectification exercise of tax paid incorrectly should be undertaken.

C. Advance Ruling*

I. Introduction

Advance ruling means a **decision provided by the Authority or the Appellate Authority** to an applicant on matters or on questions specified in sub-section (2) of Section 97 or sub-section (1) of Section 100, in relation to the supply of goods and/or services or both being undertaken or proposed to be undertaken by the applicant. Specified matters on which Advance ruling can be sought are as under:

- (a) **classification** of any goods or services or both;
- (b) **applicability of a notification** issued under the provisions of this Act;

- (c) **determination of time and value** of supply of goods or services or both;
- (d) admissibility of **input tax credit** of tax paid or deemed to have been paid;
- (e) determination of the **liability to pay tax** on any goods or services or both;
- (f) Whether applicant is required to be **registered**;
- (g) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or **results in a supply** of goods or services or both, within the meaning of that term.

II. Analysis

1. Applicability

In terms of Section 103 of the CGST Act an Advance Ruling pronounced by an Authority or Appellate Authority shall be binding on the **applicant** and the concerned jurisdictional officer of the **applicant**. It shall continue to be binding unless the law, facts or circumstances supporting the original advance ruling have changed. In this context one may refer to Section 95(c) in terms of which an **applicant** is defined as a person registered or desirous of obtaining registration. So understood the following facts emerge:

- ✓ An applicant being a person registered or desirous of obtaining registration, the ruling would be applicable only to the respective GSTIN;
- ✓ So construed, an argument can be advanced that the ruling should not be binding even in the case of a person within the same State having a different GSTIN;
- ✓ An advance ruling order passed in respect of an applicant in one State / UT would not be binding in respect of the same person carrying on business in another State or UT.

Illustration: Assume a situation where a registered person is based at Gujarat and has a branch at Maharashtra duly registered under the GST laws. In situations where – say, an advance ruling is pronounced by the Authority in Maharashtra, it would not be binding on the registered person in the State of Gujarat.

2. Impact of Advance Rulings in Audit Program:

Having understood the applicability of an advance ruling it is important for an Auditor to analyse its impact on a registered person who is being subject to audit and devise his audit program accordingly. In this backdrop, some of the checks that could be considered during the course of conduct of an audit are as follows:

- (i) A thorough understanding of the facts and the pronounced advance ruling;
- (ii) Its applicability to the registered person undergoing audit;
- (iii) The law, facts and circumstances supporting the original advance ruling with a view to ensuring that they have not undergone any changes;
- (iv) Whether such advance ruling has been appealed against by either party;

- (v) It is possible that the ratio of the advance ruling could have a bearing on the disclosures (including quantifications) that may have to be made by the Auditor;
- (vi) The implications of the advance ruling in terms of the taxes payable or taxes that may have been already paid by the registered person;
- (vii) Verifying the taxes collected from the Recipient on the basis of such advance ruling and its impact on the financials and the audit process.

3. Implication of Advance Ruling in similar business

The ruling pronounced in case of one registered person is not being binding in respect of the registered person under audit. However, if the registered person under audit accepts the fact that the said ruling pronounced in case of another registered person would affect him then the Auditor is expected to give full effect to the facts on hand and make suitable recommendations in respect of additional taxes, if any, in Part V of GSTR 9C. One may take note that in respect of any Advance Rulings if any amendment including retrospective amendment is made in the law they also need to be considered.

III. Conclusion

Therefore, an Auditor must bear in mind that the limited importance of advance rulings. The decisions of the relevant High Court and Supreme Court however may require auditor to examine carefully and recommend for compliance.

*Note: For a better understanding of matters relating to Advance Ruling, please refer to the 6th Edition of the Background Material on GST Acts and Rules published by the ICAI in May 2018.

Chapter 9

Analysis of GSTR-9

SI No	Basic Details	GSTR 9	GSTR 9C
GSTR		9	9C
Rule		80	80(3)
Heading		Annual Return	Part A – Reconciliation Statement
Pt. 1			
1	Financial Year		
2	GSTIN		
3A	Legal Name		<Auto>
3B	Trade Name (if any)		<Auto>

Introduction

GSTR 9 is the relevant form prescribed in terms of Section 44 of the CGST Act. This GSTR 9 has two parts (i) Part A titled Basic Details and (ii) Part B which is the Annual Return. Part I seeks to capture the basic details of the Registered Person under Part A (Reconciliation Statement) which has 4 clauses. Each of the clauses in Part I is significant in terms of the disclosure requirement.

Analysis

PART-1 - SI. No. 1: Financial Year

This clause requires disclosure of the “financial year” to which the Reconciliation Statement in Part A relates to. The expression financial year has not been defined under the GST laws. However, in terms of the General Clauses Act “financial year” shall mean the year commencing on the first day of April and closing on the 31st day of March. It is important to understand the meaning of the expression “financial year” in the context of the first year of GST regime, because the GST laws came into operation on the first day of July 2017. For all intents and purposes, for the financial year 2017-18, the GST Laws stood applicable only for nine months commencing from July 2017 to March 2018.

Part 1 - SI. No. 2: GSTIN

- (i) GSTIN means the “Goods and Services tax Payer Identification Number” of the tax payer or the Registered Person. Each tax payer, on his successful registration would be assigned a State-wise PAN based 15-digit GSTIN. The first 2 digits of the said GSTIN

would represent the State code as per the Indian Census 2011 viz., Karnataka 29, Delhi 07 etc. The next 10 digits would be the PAN of the tax payer. Thus, it implies that if one is not allotted a PAN, he cannot be registered under the GST Laws. The 13th digit would be based on the number of registrations within a State, while the 14th digit would be assigned based on the nature of the business of the Registered Person. The 15th digit is a check code which can be a “numeral” or an “alphabet”.

- (ii) In case of Non-resident taxable person (“NRTP”), Rule 13 of the CGST Rules permits registration even without PAN. In such case, registration shall be granted based on the tax identification number or unique number on the basis of which the entity is identified by the foreign Government where the said entity is based.
- (iii) GSTIN based on PAN is validated on the basis of the following documents¹:
 - (a) The State code is validated on the basis of the Indian Census 2011;
 - (b) The next 10 digits are verified / checked with the “PAN - Card” issued by the Income tax Department;
 - (c) A list of registration across the State would lead one to the “13th” digit;
 - (d) The 14th digit would be assigned by the registering authority based on the nature of business of the tax payer;
 - (e) The 15th digit being a check code cannot be verified.
 - (f) Thus, all the entire 15 digits are verified on the basis listed above and a Certificate of Registration in terms of Rule 10(1) of the CGST Rules (on the basis of which a Registration Certificate is issued to the tax payer in Form GST REG – 06) also termed as “Registration Certificate”;

An illustration

Format of GST Number - OIDAR

Registration Type	Digit														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
OIDAR	Special Code		Year of Registration		Country Code			5 Digit Serial Number per year					Code for OIDAR		Check Digit
Example	9	9	1	7	U	S	A	0	0	0	1	5	O	S	1-9 or A to Z

¹ The Officer who issues the registration certificate is primarily responsible for the correctness. This is provided for the assessee exercising abundant caution.

Format of GST Number – Regular Registration

Registration Type	Digit														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Regular Registration	State Code	PAN											No. of Registrations in the State	Code for Regular Registration	Check Digit
Example	2	9	X	X	X	X	X	X	X	X	X	X	1-9 or A to Z	Z	1-9 or A to Z

(iv) Some of the common errors that one could come across in GSTIN in the manner cited supra could be:

- Name listed on PAN could differ with the name listed in the “Certificate of Registration”;
- The number of registrations across the State could differ with the number of registrations actually obtained or when a particular registration is surrendered;
- Additional place of business has not been declared in the registration certificate which was ought to be declared

Such errors can be amended in the manner specified / prescribed.

(v) As and when such errors are noticed during the GST audit, the GST Auditor to disclose this appropriately. The auditor must also consider other implications on the liability due to such errors.

(vi) Conclusion

The importance of verification of GSTIN is paramount. The GST Auditor needs to thoroughly examine the issues arising out of this clause.

Part 1 - Sl. No. 3A and 3B: Legal Name and Trade Name

1. A “name” is that by which a person is known or called. The said “name” is a word or words, designation or appellation used to distinguish a person. A “name” cannot be used as a metaphor, but it could be an abbreviation.
2. The word “legal” used in clause 3A in GSTR 9C in Part A is used in the backdrop of a legislation. Therefore, it must be lawful. While a “name” is a word(s) by which a person is known, the expression “legal name” is with reference to a Statute.
3. For instance, a person can be named “Sandy”, but his legal name could be “Santosh”.

This is to be borne in mind while this column is being filled. Another instance could be “HUL” which legally is Hindustan Unilever Limited.

4. The word “trade” used in clause 3B of Part A may not be limited to occupation or business. It could be a connotation. The word “trade” ought to be understood in its ordinary sense without any reference to “business”. For instance, “Indigo” could be a trade name while the legal name is “Inter Globe Aviation Limited”. Likewise, “Chancery Pavilion” is a trade name and “Elixir Enterprises and Hotels Private Limited” is legal name.
5. Likewise, trade name is a name used by trade and industry to identify their businesses symbolizing their reputation. Caution must be exercised in listing out the trade name and legal name in clauses 3A and 3B.
6. It is possible that some Registered Persons may not have a trade name. In such situations, clause 3B of Part A would not be applicable. Therefore, NOT APPLICABLE is to be stated in Part A which could be verified from the <<auto populated>> data.
7. Individual entities are normally identified by their legal name while their trade name could be different. For instance, a concern carrying on legal business by a proprietor could have a legal name known by the name of that individual while trade name could be individual’s name followed by and Co / and Associates or by a completely different name. For instance, “Prasad” could be the legal name of an advocate while the legal name of his concern could be “PR Associates” or “Prasad and Co”.
8. The legal name and trade name should be verified by examining the certificate of registration issued by the tax department in Form GST REG – 06. Similarly, if the Registered Person is a company registered under the Companies Act, 2013, the legal name / trade name can be verified with the Certificate of Incorporation and in case of partnership firm by the certificate issued by the Registrar of Firms.

Legal name in the documents under other Statute do not match with the legal name on the registration certificate.

(i) Trade name is not disclosed on the registration certificate.

9. Any discrepancy in the “Trade Name” and “Legal Name”, may necessitate an amendment under the appropriate law. E.g. Name of the Company as appearing in the Certificate of Incorporation is “XYZ Advertising Private Limited” whereas in the certificate of registration under GST it could be “XYZ Advertising Limited”. This would require an amendment bearing in mind the correct name in the correct document that is Certificate of Incorporation in this case.

Conclusion

Therefore, the distinction between a trade name and a legal name must be clearly understood

and borne out in clause 3A and 3B of Part A, and not be used interchangeably. The details sought at clause 1, 2, 3A and 3B are common for both GSTR 9 and GSTR 9C and hence the write up *supra* would equally apply to these clauses.

GSTR 9

Part II

INTRODUCTION TO PART II

Introduction

Part 4 of GSTR 9 requires reporting of details related to outward supplies (except SI No G which relates to inward supplies which attract GST under reverse charge) like:

1. Supplies made to unregistered Persons (B2C)
2. Supplies made to Registered Persons (B2B)
3. Zero rated supply (Export) on payment of tax (except supplies to SEZs)

The point for discussion is – At the time of preparation of GSTR 9, whether the details required to be reported at Part 4 should be:

1. Restricted to details reported in the GSTR 1 for the period July 2017 to March 2018; or
2. Should include all the details pertaining to the period July 2017 to March 2018 irrespective of the period (Maximum period September 2018) when such details are reported in GSTR 1.

Based on the combined reading of Part 4 and Part 5 (SI No 10 and 11) and the instructions related to these entries, one possible view is that:

1. Invoices related to 2017-18 reported in any month in the GSTR 1 during 2017-18 along with Amendments relating to 2017-18 made by reporting such amendment in any subsequent month but within 2017-18 itself would be reported at Part 4 of GSTR 9; and
2. Amendments to invoices related in any month in the GSTR 1 during 2017-18 made by reporting such amendment in the GSTR 1 during the period April 2018 to September 2018 would only be reported in Part VI SI.No. 10 of GSTR 9.

Alternatively, another view is that, Invoices as well as Amendments related to 2017-18 would be reported at Part 4 of GSTR 9 whether reported in GSTR 1 during 2017-18 or during 2018-19 (up to due date permitted for filing GSTR 1 or the date of filing this Annual Return).

Based on the views of experts, this book is based on the insight derived from the instructions provided in the Government notification of GSTR 9, wherein references are made to specific Tables of GSTR 1 (and not GSTR 3B) from where details are to be extracted (for each month) and reported in GSTR 9 (for 9 months of 2017-18).

Reference may also be made to Scenario 1 under the Illustration List to appreciate the implications and disclosure requirements under various circumstances.

The above manner of disclosure applies to all the information cells in Part II, SI. No 4 and SI. No 5 except the disclosure of RCM for which the basis is data from GSTR 3B.

It is important to note that the expression “returns filed during the financial year” as part of the heading to Part II, SI No 4 would have to be read as “returns filed for the financial year” else the returns for the month of March 2018 (which are due and would be filed only in the month of April 2018) itself would not form part of the details to be filed in GSTR 9 (refer Scenario 2 under the illustration).

Software follows the principle of ‘garbage in – garbage out’. Likewise, data reported ‘for’ 2017-18 whether within due dates prescribed or belatedly filed but for the months of 2017-18, data from GSTR 1 alone flows into SI.No.4 (except 4G). It is not clear from the notification that GSTR 9 requires to carry ‘curated data for 2017-18’. For this reason, the two-step approach discussed above is followed in this book and the alternative view is eschewed. All the curating is left to GSTR 9C in the hands of the Auditor. It therefore flows that GSTR 9 would not carry ‘new’ data but only the summation of ‘old’ data in whatever manner ‘for’ 2017-18 filed on-time or belatedly but not included in the returns ‘for’ 2018-19.

Illustrations

Scenario 1 – Errors of Omission / Commission

Document Type	Document Date	Reported in GSTR 1 in the return for the month of	Amendment filed in GSTR1 in the return for the month of	To be Reported in GSTR 9 at
Invoice	05/07/2017	July 2017	No amendment	Part II – SI No 4
Invoice	05/07/2017	September 2017	No amendment	Part II – SI No 4
Invoice	05/07/2017	April 2018	No amendment	Part V – SI No 10
Invoice	05/07/2017	July 2017	September 2017	Part II – SI No 4
Invoice	05/07/2017	September 2017	April 2018	Invoice - Part II – SI No 4 Amendment to Invoice - Part V – SI No 10
Credit Note	31/12/2017	December 2017	No amendment	Part II – SI No 4I
Credit Note	31/12/2017	March 2018	No amendment	Part II – SI No 4I
Credit Note	31/12/2017	April 2018	No amendment	Part V – SI No 10

Scenario 2 – Delay in filing of returns

Document Type	Document Date	Reported in GSTR 1 in the return for the month of	Month in which return is filed	To be Reported in GSTR 9 at
Invoice	05/07/2017	July 2017	July 2017	Part II – SI No 4
Invoice	05/07/2017	July 2017	April 2018	Part II – SI No 4
Invoice	05/07/2017	July 2018	December 2018	Part II – SI No 4

Sl.No. 4A. Supplies made to unregistered Persons (B2C)

4	Details of advances, inward and outward supplies on which tax is payable as declared in returns filed during the financial year					
A	Supplies made to un-registered persons (B2C)					

Table No.	Instructions
4A	Aggregate value of supplies made to consumers and unregistered persons on which tax has been paid shall be declared here. These would include details of supplies made through E-Commerce operators and are to be declared as net of credit notes or debit notes issued in this regard. Table 5, Table 7 along with respective amendments in Table 9 and Table 10 of FORM GSTR-1 may be used for filling up these details.

Introduction

4A of GSTR 9 contains summary of supplies made to the consumers/unregistered Persons who do not have GSTIN or have not furnished the same to the supplier. Supplies made through electronic commerce operator to unregistered Persons would also be included here. Irrespective of the nature of supplies (intra-State or inter-State supplies) and the quantum of supplies, they are required to be disclosed in this head.

Analysis**➤ Source of information**

All information reported here must flow from GSTR 1. As such, the working notes for the preparation of GSTR 9 would involve summation of data from GSTR 1 filed for July 2017 to Mar 2018 during 2017-18 only.

It would be relevant to note that Circular no. 26/26/2017-GST dated Dec 29, 2017 provides that in cases where the invoices are omitted or reported incorrectly in GSTR 1, the same can

be corrected in any subsequent month. This facility allowed two kinds of insertions and corrections, namely:

- Transactions pertaining to 2017-18 in any month was inserted or corrected in a subsequent month within 2017-18 itself and
- Transactions pertaining to 2017-18 in any month was inserted or corrected in a subsequent month but during 2018-19 itself (up to Oct 31, 2018 or Dec 31, 2018). Reference may be made to NN 44/2018-CT dated Sept 10, 2018.

Point 4A (and other clauses in Pt II) contain information from GSTR 1 filed for 2017-18 even though filed belatedly during 2018-19 but not by way of insertion or correction in GSTR 1 for the month of April 2018 or later.

➤ Validation of information

Information in 4A of GSTR 9 would include insertions and corrections made in the GSTR 1 filed in respect of 2017-18 (whether during 2017-18 or belatedly during 2018-19, up to the dates permitted) in respect of such supplies.

Any credit notes or debit notes dated prior to March 31, 2018 but reported in 2018-19 as an amendment to GSTR 1 for the month of April 2018 or later, as permitted, in respect of the original supply during 2017-18 should NOT be considered for deriving the final value to be disclosed in 4A.

Credit notes and debit notes, in respect of original supply in 2017-18, but issued and dated after April 1, 2018 would continue to be reflected in 2018-19 and not be introduced back into transactions of 2017-18 because the circumstances necessitating credit note and debit note would not have arisen in 2017-18 but only in 2018-19.

Further, credit notes and debit notes affecting price of supply issued after Jul 1, 2017, relating to original supplies made during 2016-17 and 2017-18 up to Jun 30, 2017, are required to be considered in 2017-18 as if it were a transaction in the GST regime itself as required by provided in section 142(2) (a) and (b) of the CGST Act in respect of such overlapping transactions.

However, credit notes affecting quantity of supplies issued after Jul 1, 2017 relating to original supplies made earlier would not affect the GST reporting as any refund of taxes paid under earlier laws is refundable under the earlier laws as required by section 142(1) of the CGST Act.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in invoices and those declared in books of accounts
- (b) Values declared in books of accounts and those declared in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1

(d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4A would be as follows:

Category of supply	Nature of supply	Relevant Table of GSTR 1
taxable outward inter-State supplies to unregistered Persons where the invoice value is more than Rs. 2.5 lakh (both through electronic commerce operator and otherwise)	Inter-State	Table 5
taxable supplies (Net of debit notes and credit notes) to unregistered Persons other than the supplies covered in Table 5 where the invoice value is up to Rs. 2.5 lakh (both through electronic commerce operator and otherwise)	Inter-State	Table 7
taxable supplies (Net of debit notes and credit notes) to unregistered Persons other than the supplies covered in Table 5 (both through electronic commerce operator and otherwise)	Intra-State	Table 7
Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 5 [including debit notes, credit notes, refund vouchers issued during current period and amendments thereof]	Inter-State	Table 9
Amendments to taxable outward supplies to unregistered Persons furnished in returns for earlier tax periods in Table 7	Both inter and intra-State	Table 10

➤ Revision required

During the preparation of GSTR 9, if any outward supply is found to have been omitted in any GSTR 1 pertaining to 2017-18, a revision is warranted. Any revision in the information to be furnished would be passed only through GSTR 1 (up to the dates specified above) and then included in 4A of GSTR 9.

Where time limit allowed to report information in GSTR 1 (dates specified above) has passed and outward supply is discovered which pertains to 2017-18, it would need to be left out from GSTR 9 in such a way that it appears as a reconciliation item in GSTR 9C. Tax payable, if any, on such omitted outward supply may be paid in any GSTR 3B subsequent to Sept, 2018 as 'other tax payments' or as a finding during reconciliation Statement and tax paid in Pt III, 9(R) of GSTR 9C. Such tax payments may be made through GSTR 3B before or after filing GSTR 9 after it is suitably disclosed as an 'admitted' taxable outward supply.

No inquiry is required to investigate such omissions as GSTR 9 is a report of the information already furnished and not information that ought to have been furnished. Refer note regarding limits and limitations to reporting responsibility in chapter

Illustration

Please specify which of the following supplies would form part of the reporting under Supplies made to unregistered Persons (B2C) along with their values:

- (a) Intra-State supply to consumer in August 2017 as reported in GSTR 1: Rs. 30,00,000
- (b) Inter-State supply to consumer in September 2017 as reported in GSTR 1: 40,00,000
- (c) Intra-State supply incorrectly shown as supply to consumer in October 2017 and rectified as B2B supply in May 2018: 10,00,000
- (d) Inter-State supply to consumer incorrectly shown with the value of Rs. 5,00,000 in November 2017 and rectified with value of Rs. 7,00,000 in March 2018
- (e) Credit note issued in March 2018 of Rs. 2,00,000 in respect of intra-State supplies made to consumers in December 2017 for Rs. 5,00,000
- (f) Credit note issued in April 2018 of Rs. 1,00,000 in respect of inter-State supplies made to consumers in January 2018 for Rs. 3,00,000

Ans. The reporting under supplies made to unregistered Persons should consist of only those supplies to consumers which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting under this Table. Thereby, the above situations are to be reported in the following manner:

- Situations (a) and (b) are supplies to consumers for the period July – March 2018. Therefore, they would be aggregated for reporting here. Therefore, the total value would be Rs. 30,00,000 + Rs. 40,00,000 = Rs. 70,00,000
- In situation (c), one only needs to consider the position of reporting as on March 2018. Till March 2018, such supplies were considered B2C supplies and not B2B supplies. Any rectifications made post March 2018 should not be considered. Therefore, Rs. 10,00,000 reported as B2C supplies earlier should be taken as such.
- In Situation (d) originally, the value was reported as Rs. 5,00,000. However, the rectification of such value was carried out as Rs. 7,00,000 in March 2018. Therefore, the rectified value of Rs. 7,00,000 should be taken.
- In situation (e), the credit note for the period December 2017 was issued in March 2018. Since, this reduction in value occurred during the Financial year ending March 2018, the reduction in value of Rs. 2,00,000 would be allowed.

- In situation (f), the credit note was issued in April 2018 even though it pertains to the period January 2018. Since, the credit note was issued after March 2018, Rs. 1,00,000 would not be allowed as reduction in value.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts did not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented
- Only rectifications of the B2C amounts reported in the GST returns up to the tax period March should be considered under this clause
- Any outward supplies which sale of capital assets need to be carefully verified from the perspective of reporting as it is a Balance Sheet item and valuation needs to be derived separately as per section 18(6) of the CGST Act. The transaction value of such sale may not be directly available either due to loss/profit on sale of such asset being disclosed separately in Profit and Loss Account.
- It should be vouched and compared with such outward supplies to unregistered Persons as reported in the financial Statements which forms as a basis for GSTR 9C
- Only those supplies on which tax is payable should be reported. Any supplies which are NIL-rated, exempted, non-GST etc. should not be a part of this
- Any advances which were received during the year should not be part of this clause. Only if the outward supplies against such advances are provided during the year, the disclosure under this clause is required.
- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under outward supplies as per Table 3.1(a) in GSTR 3B
- Debit notes and credit notes which are in relation to these supplies should be captured only if the suitable effect of GST is provided in them. Any commercial/accounting credit or debit notes which do not contain the charge of GST should not be adjusted for the calculation of taxable value and tax amounts.

Further, GSTR 9 cannot be prepared based on sample verification. No such exclusion is permissible here. Completeness must be ensured in the compilation of information as

preparation of GSTR 9 is the duty of the Registered Person who cannot resile from this responsibility.

Information reported in GSTR 1 need not be re-examined while preparing GSTR 9. Exercise involved is to compile the information to identify completeness of the information extracted from GSTR 1 as declared in 2017-18 and 2018-19 (up to dates permitted and as stated above).

Revision in the information from B2C to B2B and vice versa must also be revised in GSTR 1 and then compiled in 4A of GSTR 9.

Conclusion

Therefore, 4A of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 even belatedly during 2018-19.

Sl. No. 4B. Supplies made to Registered Persons (B2B)

4B	Supplies made to registered persons (B2B)					
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Table No.	Instructions
4B	Aggregate value of supplies made to registered persons (including supplies made to UINs) on which tax has been paid shall be declared here. These would include supplies made through E-Commerce operators but shall not include supplies on which tax is to be paid by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4A and Table 4C of FORM GSTR-1 may be used for filling up these details.

Introduction

4B of GSTR 9 contains information of supplies made to persons having a valid GSTIN. This field should constitute the summary of all supplies made to Registered Persons during the period July 2017 to March 2018. Even supplies made through electronic commerce operator to Registered Persons would be reported here.

Analysis

➤ Source of information

Information in 4B is to be extracted directly from Table 4 of GSTR 1. Irrespective of the nature of supplies (intra-State or inter-State supplies) and the quantum of supplies, they are required to be disclosed within this head.

➤ Validation

Information in 4B of GSTR 9 would include insertions and corrections made during the year

2017-18 in respect of such supplies. Any credit notes or debit notes 'dated' prior to March 31, 2018 but reported in 2018-19 (up to Oct 31, 2018) in GSTR 1 in respect of the original supply should also be considered for deriving the final value to be disclosed in 4B.

However, any outward supplies on which tax is payable on reverse charge basis by the recipient would not be taken here for the purpose of reporting even though they form part of Table 4 of GSTR 1. Only those supplies on which tax is payable would be reported if they are supplied to Registered Persons.

Further, it should be noted that unlike supplies made to unregistered Persons (B2C), any amendments made to such supplies as reported in Table 9 of GSTR 1 would not form part of the reporting here. Also, any credit notes and debit notes issued against the supplies to Registered Persons would not be reported under this part. There are separate fields under Part 4I to 4L wherein such amendments, credit and debit notes in respect of supply made to Registered Persons are to be reported.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in invoices and those declared in books of accounts
- (b) Values declared in books of accounts and that GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4B would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
taxable outward supplies to Registered Persons (including supplies made to UINs) other than those attracting reverse charge and supplies through e-commerce operators	Both inter and intra-State	Table 4A
taxable Outward Supplies to Registered Person through e-commerce operators	Both inter and intra-State	Table 4C

➤ **Revision Required**

During the preparation of GSTR 9, if any outward supply is found to have been omitted in any GSTR 1 pertaining to 2017-18, a revision is warranted. Any revision in the information to be furnished now can be passed on only through GSTR 1 (up to the dates specified above) and then included in 4B of GSTR 9.

Where time limit allowed to report information in GSTR 1 (dates specified above) is over and the outward supply found pertains to 2017-18, it would be left out from GSTR 9 such that it appears by way of a reconciliation item in GSTR 9C. Tax payable, if any, on such omitted outward supply may be paid in any GSTR 3B subsequent to Sept, 2018 as 'other tax payments' or as a finding during reconciliation Statement and tax paid in Pt III, 9(R) of GSTR 9C. Such tax payment may be made through GSTR 3B before or after filing GSTR 9 after it is suitably disclosed as an 'admitted' taxable outward supply.

No inquiry is required to investigate such omissions as GSTR 9 is a report of the information already furnished and not information that ought to have been furnished.

Illustration

Illustration: Please specify which of the following supplies would form part of the reporting under Supplies made to Registered Persons (B2B) along with their values:

- (a) Intra-State supply to Registered Persons in July 2017 as reported in GSTR 1: Rs. 10,00,000
- (b) Inter-State supply to consumer in October 2017 as reported in GSTR 1: 25,00,000
- (c) Intra-State supply incorrectly shown as supply to a consumer in October 2017 and rectified as B2B supply in March 2018: 10,00,000
- (d) Inter-State supply to Registered Persons incorrectly shown with value of Rs. 5,00,000 in November 2017 and rectified with value of Rs. 7,00,000 in May 2018
- (e) Credit note issued in March 2018 of Rs. 2,00,000 in respect of intra-State supplies made to Registered Persons in December 2017 for Rs. 5,00,000
- (f) Credit note issued in April 2018 of Rs. 1,00,000 in respect of inter-State supplies made to Registered Persons in January 2018 for Rs. 3,00,000
- (g) Outward supplies taxable under reverse charge basis in February 2018 as reported in GSTR 1: Rs. 5,00,000

Ans. Reporting under supplies made to Registered Persons should consist of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. Thereby, the above situations are to be reported in the following manner:

- Situation (a) are supplies to Registered Persons for the period July – March 2018. Therefore, the value of Rs. 10,00,000 would be reported here.
- Situation (b) refers to supplies to consumers and not to Registered Persons. Therefore, this should not be considered for reporting under B2B supplies.
- In situation (c), one only needs to consider the position of reporting as on March 2018.

In March 2018, such supplies were rectified as B2B supplies. Only those rectifications which are made post March 2018 should not be considered. Therefore, Rs. 10,00,000 reported as B2B supplies should be taken as such in this field.

- In Situation (d), the original value was reported as Rs. 5,00,000. However, the rectification of such value was carried out as Rs. 7,00,000 in May 2018. As per the reporting till March 2018, the value was taken as Rs. 5,00,000. Hence, Rs. 5,00,000 should be taken for the purpose of reporting.
- In situation (e), the credit note for the period December 2017 was issued in March 2018. Since, this reduction in value occurred during the Financial year ending March 2018, the reduction in value of Rs. 2,00,000 would be allowed.
- In situation (f), the credit note was issued in April 2018 even though it pertains to the period January 2018. Since, the credit note was issued after March 2018, Rs. 1,00,000 would not be allowed as reduction in value.
- In situation (g), outward supplies is mentioned under reverse charge. Since this does not entail payment of tax by the supplier, no reporting under B2B supplies should be made.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts do not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as basis for validating the amounts disclosed in the GST returns
- Any stock transfer made between two units would have to be disclosed if made between two Registered Persons even though the same does not form part of the consolidated financial Statements.
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented
- Any outward supplies which sale of capital assets are to be carefully verified from the perspective of reporting as it is a Balance Sheet item and valuation needs to be derived separately as per section 18(6) of the CGST Act. The transaction value of such sale may not be directly available because of loss/profit on sale of such asset being disclosed separately in Profit and Loss Account.
- It should be vouched and compared with such outward supplies to Registered Persons as reported in the financial Statements which forms a basis for GSTR 9C

- Only those supplies on which tax is payable should be reported. Any supplies which are NIL-rated, exempted, non-GST etc. should not be reported
- Any advances which were received during the year should not be a part of this clause. If the outward supplies against such advances are provided during the year, then disclosure under this clause is required.
- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under outward supplies as per Table 3.1(a) in GSTR 3B
- Only rectifications of the B2B amounts reported in the GST returns upto the tax period March should be considered under this clause

Please refer to 4A for similar aspects applicable to 4B.

Conclusion

Therefore, 4B of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 even belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4C. Zero rated supply (Export) on payment of tax (except supplies to SEZs)

4C	Zero rated supply (Export) on payment of tax (except supplies to SEZs)					
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Table No.	Instructions
4C	Aggregate value of exports (except supplies to SEZs) on which tax has been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.

Introduction

4C of GSTR 9 contains information relating to a sub-set of all zero-rated supplies comprising exports of goods and exports of services out of India. 4C does not include supplies to SEZ. Further, exports are permitted in two ways, namely, export with payment of tax and export without payment of tax.

4C contains information pertaining only to exports on payment of tax and not exports without payment of tax.

Analysis

- Source of Information

Information reported in GSTR 1 in Table 6 pertains to exports, supply made to SEZ unit or developer and deemed exports. For the purpose of reporting under this clause, one needs to carve out only the supplies which are in relation to exports. Other activities which are supplies to SEZ and deemed exports would not be considered for reporting under this clause.

Section 16(3) of the IGST Act allows a Registered Person making zero rated supply to claim refund under either of the two options –

- (a) Supply goods or services or both under letter of undertaking without payment of integrated tax and claim refund of unutilized credit
- (b) Supply goods or services or both on payment of integrated tax and claim refund of tax paid on goods or services or both supplied

Only exports given under point (b) above i.e. exports made after payment of tax are to be reported here. Exports which are made without payment of tax i.e. under the Letter of Undertaking or Bond would not form part of this field. Of course, export of both goods and services made with payment of tax would fall within the scope of reporting for this section.

➤ Validation

Section 16 of the IGST Act includes export of goods and services as well as supplies to SEZ developer or unit as zero-rated supply. Definition of export of goods and export of services are very different from each other. In the case of export of goods, repatriation of foreign exchange is not a criterion for determining whether it is export or not. However, in the case of export of services, repatriation of foreign exchange in addition of other remarkably unusual criterion make up the definition.

Since GSTR 9 is a return, it requires accuracy in the values reported and also their classification. As such, the Registered Person is expected to be mindful of the classification of the categories of the supplies. In GSTR 9C the Auditor would also express agreement with the values and categories of supplies. They can be reported as exports under Table 6A of GSTR1 only if they satisfy the said definition.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in invoices and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4C would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Aggregate Value of Exports (excluding supplies to SEZs) on which tax has been paid	Inter State	Table 6A

➤ **Revision Required**

It is pertinent to note that in no circumstances would any credit/debit notes issued in relation to the original supply form part of the reporting here. There is a separate field specified under 4I and 4J for reporting of credit and debit notes issued and disclosed during the year.

Illustration

Please specify which of the following supplies would form part of the reporting under zero rated supply (Export) on payment of tax (except supplies to SEZs) along with their values:

- (a) Goods exported to USA in November without payment of tax as reported in GSTR 1: Rs. 1500000
- (b) Export invoice of Rs. 75000 not shown in Table 6A of GSTR 1 in October 2017 and later disclosed in May 2018. The said invoice was with the payment of tax.
- (c) Exports with payment of tax incorrectly shown with value of Rs. 25,00,000 in November 2017 and rectified with value of Rs. 30,00,000 in March 2018
- (d) Exports with payment of tax incorrectly shown as SEZs supplies in Table 6B of GSTR 1 rectified in April 2018: Rs. 50000
- (e) Credit note issued in March 2018 of Rs. 6,00,000 in respect of exports made in January 2018 for Rs. 12,00,000. The original exports were with payment of tax.

Ans. Reporting under this clause should consist of only those supplies on payment of tax which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The above-mentioned situations are to be reported in the following manner:

- In situation (a), supplies are zero rated without payment of tax for the period July – March 2018. Therefore, they would not be reported here.
- In situation (b), one only needs to consider the position of reporting as on March 2018. Any rectifications made post March 2018 should not be considered. Therefore, export invoice of Rs. 75000 shall not be reported here.
- In Situation (c), the original value was reported as Rs. 25,00,000. However, the rectification of such value was carried out as Rs. 30,00,000 in March 2018 itself. Therefore, the rectified value of Rs. 30,00,000 should be taken.

- In situation (d), zero rated outward supplies of Rs. 50000 was incorrectly shown as SEZs supplies in GSTR 1. Any rectifications made post March 2018 should not be considered. Therefore, export invoice of Rs. 50000 shall not be reported here.
- In situation (e), the credit notes are to be disclosed as part of 4I. The credit notes are to be considered for reporting under this clause.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts do not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented
- It should be vouched and compared with such exports as are reported in the financial statements which form as a basis for GSTR 9C
- The validation of the export of goods can be made by comparing the shipping bill particulars with the invoices issued against exports
- For export of goods on payment of tax, one can validate the status of all the shipping bills and the invoices on the ICEGATE portal. Whether the goods have actually been exported can be known through this. The status of the automated refund claim and the reasons for not obtaining the same can also be known through this.
- With respect to export of services, invoices need to be validated through reconciliation with the Bank Realization certificate (BRC) or Foreign Inward remittance certificate (FIRC) from the bank. Upon reconciling the value of export of services with the BRC or FIRC against it, one can find out whether the services have actually been exported or not.
- The refund claim for export of services on payment of tax should be checked and it should be determined whether the same is delayed due to any specific deficiency on the part of the taxable person. This would also contribute in validating the value and taxes in respect of export of services.
- Only those supplies on which tax is payable should be reported. Any exports which are made without payment of tax under LUT or Bond would not be reported.
- Any advances received during the year should not be a part of this clause. If exports against such advances are made during the year, then the disclosure under this clause is required.

- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under zero rated supplies as per Table 3.1(b) in GSTR 3B.
- Only rectifications of the export amounts reported in the GST returns upto the tax period of March should be considered under this clause

Conclusion

Therefore, 4C of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

4D. Supply to SEZs on payment of tax

4D	Supply to SEZs on payment of tax					
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Table No.	Instructions
4D	Aggregate value of supplies to SEZs on which tax has been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.

Introduction

4D of GSTR 9 contains information relating to a sub-set of all zero-rated supplies consisting of supplies to SEZ being a Developer of the SEZ or a Unit in the SEZ. It would include supplies to SEZ whether by an SEZ to another SEZ or by a DTA unit to SEZ. 4D does not include supplies to SEZ without payment of tax.

Analysis

➤ Source of Information

In GSTR 1, items reported in Table 6 pertain to exports, supply made to SEZ unit or developer and deemed exports. For reporting under this clause, one needs to carve out only the supplies made to SEZ developer / unit.

➤ Validation

Section 16(1) of the IGST Act considers supply of goods or services or both to SEZ developer/unit to be a zero-rated supply. Section 16(3) of the IGST Act allows a Registered Person making zero rated supply to claim refund under either of the two options –

- (a) Supply goods or services under both or letter of undertaking without payment of integrated tax and claim refund of unutilized credit
- (b) Supply goods or services or both on payment of integrated tax and claim refund of tax paid on goods or services or both supplied

Only those given under point (b) above that is supplies made to SEZ developer/unit made after payment of tax are to be reported here. Irrespective of whether tax is charged from the SEZ or the burden of tax is borne by the supplier, the disclosure under this clause is mandatory. However, supplies to SEZ developer/unit which are made without payment of tax i.e. under the Letter of Undertaking or Bond would not form part of this field. Of course, supply of both goods and services made to SEZ developer/unit would fall within the scope of reporting for this section.

Whether the supplies are made for authorized operations or not is immaterial. In effect, whether the refund claim is admissible or not should not be a determining factor in whether it is disclosed in this clause. Whenever supplies are made to SEZ developer/unit, these are to be reported under this clause.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in invoices and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4D would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Aggregate Value of supplies to SEZs on which tax has been paid	Inter State	Table 6B

➤ **Revision Required**

It is pertinent to note here that in no circumstances would any credit/debit notes issued in relation to the original supply form a part of the reporting here. There is a separate field specified under 4I and 4J for reporting of credit and debit notes issued and disclosed during the year.

Illustration

Please specify which of the following supplies would form a part of the reporting under supply to SEZs on payment of tax along with their values:

- (a) Goods supplied to SEZ unit in November without payment of tax as reported in GSTR 1: Rs. 1500000

- (b) Supplies to SEZ developer with payment of tax worth Rs. 75000 belonging to October 2017 was disclosed in May 2018
- (c) Supplies to SEZ unit with payment of tax incorrectly shown with value of Rs. 25,00,000 in November 2017 and rectified with value of Rs. 30,00,000 in March 2018
- (d) Supplies to SEZ unit with payment of tax incorrectly shown as deemed export in Table 6C of GSTR 1 rectified in April 2018: Rs. 50000

Ans. The reporting under supplies to SEZs on payment of tax should consist of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The above-mentioned situations are to be reported in the following manner:

In situation (a), supplies to SEZ are made without payment of tax for the period July – March 2018. Therefore, they would not be reported here.

In situation (b), one needs to consider the position of reporting as on March 2018. Any rectifications made post March 2018 should not be considered. Therefore, supply to SEZ of Rs. 75000 shall not be reported here.

In Situation (c), the original value was reported as Rs. 25,00,000. However, the rectification of such value was carried out as Rs. 30,00,000 in March 2018 itself. Therefore, the rectified value of Rs. 30,00,000 should be taken.

In situation (d), supplies to SEZ of Rs. 50000 was incorrectly shown as deemed exports in GSTR 1. Any rectifications made post March 2018 should not be considered. Therefore, supply to SEZ of Rs. 50000 shall not be reported here.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts did not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented
- It should be vouched and compared with such supplies to SEZ as are reported in the financial statements which forms as a basis for GSTR 9C
- The person supplying to SEZ should have proof of admittance from the SEZ officer in respect of goods and proof of receipt of services in case of services. The Auditor should

verify these documents to confirm whether the goods have actually been received in SEZ.

- The refund claim for supply of goods and services to SEZ on payment of tax should be checked and it should be determined whether the same is delayed due to any specific deficiency on the part of the taxable person. This would also contribute in validating the value and taxes in respect of supply of services to SEZ
- Only those supplies on which tax is payable should be reported. Any supplies which are made without payment of tax under LUT or Bond would not be reported.
- Any advances received during the year should not be a part of this clause. If the supplies to SEZ against such advances are made during the year, the disclosure under this clause is required.
- Taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under zero rated supplies as per Table 3.1(b) in GSTR 3B.
- Only rectifications of amounts reported in the GST returns upto the tax period of March should be considered under this clause

Conclusion

Therefore, 4D of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4E. Deemed export

4E	Deemed Exports					
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Table No.	Instructions
4E	Aggregate value of supplies in the nature of deemed exports on which tax has been paid shall be declared here. Table 6C of FORM GSTR-1 may be used for filling up these details.

Introduction

4E of GSTR 9 contains information regarding 'deemed export'. Section 147 allows the Government to notify the certain supply of goods to be deemed exports where the goods supplied do not leave India and the payment for such supplies is received either in Indian rupees or in convertible foreign exchange, if such goods are manufactured in India. The Deeming fiction of this kind of supply as deemed export allows a person to enjoy all the tax benefits as available in case of zero-rated supply. Section 54 read with Rule 89 allows the machinery provisions for this.

Analysis

➤ Source of Information

In GSTR 1, items reported in Table 6C pertains to deemed exports which is contained in 4E.

➤ Validation

Section 147 and NN 48/2017-Central tax dated 18th October 2017, prescribes the following supplies to be regarded as deemed exports:

- (a) Supply of goods against advance authorization
- (b) Supply of capital goods against EPCG authorization
- (c) Supply of goods to EOU (export-oriented undertakings)
- (d) Supply of gold by bank/PSU specified in Notification no. 50/2017-Customs dated 30th June 2017

All the above mentioned supplies would be considered deemed exports with effect from 18th October 2017. Before this date supplies were NOT categorized as deemed export.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in invoices and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4E would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Aggregate value of supplies in the nature of deemed exports on which tax has been paid	Inter State	Table 6C

It is pertinent to note that in no circumstances would any credit/debit notes issued in relation to the original supply form part of the reporting here. There is a separate field specified under 4I and 4J for reporting of credit and debit notes issued and disclosed during the year.

Illustration

Illustration: Please specify which of the following supplies would form part of the reporting under deemed export on payment of tax along with their values:

- (a) Supply of goods to EOU in September 2017: Rs. 250000
- (b) Supply of goods against advance authorization in December 2017: Rs. 100000

Ans. Reporting under deemed exports on payment of tax should consist of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations mentioned above are to be reported in the following manner:

- In situation (a), supplies of goods to EOU worth Rs. 250000 are made in September 2017. It shall not be considered deemed export because the notification no. 48/2017-CT which enlists deemed exports because effective from 18th October 2017. Hence it would not be considered in this field.
- In situation (b), supplies of goods against advance authorisation made in December 2017 is worth Rs. 100000 and is considered deemed export. Hence it would be considered in this field.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- There should not be any amounts aggregated for deemed export before 18th October 2017
- Only if a supply satisfies the condition of the relevant scheme i.e. Advance Authorization/EPCG etc, can it be categorized within deemed export. Any violation of these conditions may result in a supply falling outside the ambit of deemed export.
- If the supplier is taking the benefit of deemed export, then he should not charge any taxes from the recipient. If charged, refund of the unutilized input tax credit would not be granted.
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences should be clearly documented
- It should be vouched and compared with such exports as are reported in the financial statements which forms a basis for GSTR 9C
- Any advances received during the year should not be part of this clause. If the exports against such advances are made during the year, then disclosure under this clause is required.

- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under zero rated supplies as per Table 3.1(b) in GSTR 3B.
- Only rectifications of the export amounts reported in the GST returns up to the tax period of March should be considered under this clause

Conclusion

Therefore, 4E of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4F. Advances on which tax has been paid but invoice has not been issued²

4F	Advances on which tax has been paid but invoice has not been issued (not covered under (A) to (E) above)					
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Table No.	Instructions
4F	Details of all unadjusted advances i.e. advance has been received and tax has been paid but invoice has not been issued in the current year shall be declared here. Table 11A of FORM GSTR-1 may be used for filling up these details.

Introduction

4F of GSTR 9 contains details of advances received in certain special circumstances. As per rule 50, upon receipt of advance, Receipt Voucher is required to be issued but tax Invoice is not required to be issued until actual supply in respect of the said advance. Tax is payable on advance even though supply is pending. 4F will contain details of advances received and tax Invoice is yet to be issued.

Refer NN 40/2-17-CT dated Oct 13, 2017 that exempted payment of tax on advances received towards supply of goods, in case of taxable persons whose aggregate turnover is or is likely to be less than Rs.1.50 cr. Advances towards supply of services remained liable to pay tax on advances. Suppliers of goods above this threshold limit too were liable to pay tax on advances.

Refer NN 66/2017-CT dated Nov 11, 2017 that exempts from payment of tax on advances received towards supply of goods. As such, advances should have been subject to tax

²Clarification sought from the Government.

payment in all cases up to Nov 10, 2017 and in respect of advances relating to supply of services without the benefit of this exemption.

Analysis

➤ Source of Information

The advances on which tax is charged and paid are disclosed as part of Table 11A of GSTR 1. Where advance is received, and tax Invoice has been issued in 2017-18, the same is to be excluded from 4F since the same would have been adjusted against the tax due on the tax Invoice issued. While information in Table 11A of GSTR 1 may contain monthly information of advances received as on a given month, the data in 4F must be normalized to reflect advance received during 2017-18 for which tax Invoice has not been issued in 2017-18.

Please note that the test – whether tax Invoice is issued or not? – must be determined from the data relating to 2017-18 reported in GSTR 1, whether filed within 2017-18 or in 2018-19 (up to the date permitted).

➤ Validation

As per section 12(2) of the CGST Act in case of forward charge, the time of supply of goods has been stated to be earlier of the following dates:

- (a) Date of issue invoice by the supplier or the last date on which he is required to issue the invoice
- (b) Date on which the supplier receives payment for such supply

As per section 13(2) of the CGST Act, the time of supply would be the earliest of the following dates:

- (a) The date of issue of invoice by the supplier or date of receipt of payment if the invoice is issued within the prescribed period
- (b) Date of provision of service or date of receipt of payment if the invoice is not issued within the prescribed period

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in receipt vouchers and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The various components of this Part 4F would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Advance received, and tax has been paid but invoices has not been issued in the current year	Both inter and intra state	Table 11A

Illustration

Please specify which of the following supplies would form part of the reporting under advances on which tax has been paid but invoice has not been issued in respect of outward supplies along with their values:

- (a) Advances received against outward supply to consumers in the month of August 2017: Rs. 50000. The supply was made and disclosed in GSTR 1 in the month of December 2017 for Rs. 200000
- (b) Advances received against outward supply to Registered Persons in the month of November 2017: Rs. 150000. The supply was made and disclosed in GSTR 1 in the month of May 2018 for Rs. 500000

Ans. Only advances existing at the close of financial year i.e. March 2018 would be reported. Any advances against which outward supplies are made and are adjusted before the said period would not be reported.

In situation (a), since the supplies were made before the end of the financial year, they would have formed part of reporting under 4A of the annual return. Therefore, such advances are not to be reported.

In situation (b), since the supplies were made after the close of the financial year i.e. May 2018, they would not form part of the annual return. Therefore, these advances of Rs. 150000 are to be added in the clause 4F to arrive at the correct value to be reported.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts do not belong to the earlier tax regime (Before 1st July 2017). Any advances on which taxes were paid in the earlier regime should not be reported here.
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns
- Advance receipts should be matched with the receipt vouchers issued during the year which contains the entire breakup of the advance received and the taxes charged on it

- It should be vouched and compared with the advance receipts reported as liability in the financial statements which forms as a basis for GSTR 9C
- Only those supplies on which tax is payable should be reported. Any supplies which are NIL-rated, exempted, non-GST, etc. should not be reported
- Any advances received during the year should not be part of this clause if the outward supplies against such advances are provided during the year. It should be checked to ensure that no invoices against such supplies have been issued during the financial year
- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under outward supplies in GSTR 3B
- Only rectifications of the amounts of advances reported in the GST returns up to the tax period March should be considered under this clause

Conclusion

Therefore, 4F of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

4G. Inward supplies on which tax is to be paid on reverse charge basis

4G	Inward supplies on which tax is to be paid on reverse charge basis					
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Table No.	Instructions
4G	Aggregate value of all inward supplies (including advances and net of credit and debit notes) on which tax is to be paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis. This shall include supplies received from registered persons, unregistered persons on which tax is levied on reverse charge basis. This shall also include aggregate value of all import of services. Table 3.1(d) of FORM GSTR-3B may be used for filling up these details.

Introduction

4G in GSTR 9 contains details of inward supplies in respect of which Registered Person is liable to pay tax on reverse charge basis.

Reverse charge provisions are guided through section 9(3) and 9(4) of the CGST Act in case of intra state supplies. In case of inter-state supplies, the corresponding sections of 5(3) and 5(4) of the IGST Act would be applicable.

Refer NN 8/2017-CT(R) dated Jun 28, 2017 which exempts intra-State supply of goods or supply of services not exceeding Rs.5,000/- per day regardless of the number of suppliers involved. Refer NN 38/2017-CT(R) dated Oct 13, 2017 excluded the value limit previously prescribed. Corresponding Integrated tax exemption was issued for the first time in NN 32/2017-Int(R) dated Oct 13, 2017 in respect of inter-State supplies.

Analysis

➤ Source of Information

For payment of tax under reverse charge, disclosure have to be made in Table 3.1(d) – Inward supplies (liable to reverse charge) of GSTR 3B. For computation of the amounts to be disclosed in point 4G of GSTR 9, one needs to aggregate the amounts shown under the aforesaid Table for the entire year i.e. July to March in 2017-18 and April – March in the subsequent financial year.

➤ Validation

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4G would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 3B
Aggregate value of all inward supplies (including advances and net of credit and debit notes) on which tax is to be paid on reverse charge basis (including aggregate value of all import of services.)	Both inter and intra state	Table 3.1(d)

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in:
 - o payment vouchers (required to be issued when making payments to the supplier if the supplies fall under reverse charge),
 - o invoices from unregistered Persons' (to be issued by the recipient when the supply is received from unregistered Persons on which tax is payable under reverse charge by the recipient) and
 - o the books of accounts
- (b) Values declared in the inward supplies (liable to reverse charge) as per point 3.1(d) of GSTR 3B for the purpose of payment of tax and point 4A (3) of GSTR 3B for taking of input tax credit

- (c) Values declared in the inward supplies (liable to reverse charge) as per point 3.1(d) of GSTR 3B and those declared in the books of accounts

➤ Revision Required

Through the reconciliation between the payment vouchers and the invoices from unregistered persons, one can find whether all the necessary disclosures under reverse charge have been made. Ideally the differences should only arise between them due to the following:

- o Payment vouchers are to be issued only upon payment to the supplier while the invoices from an unregistered Person are to be issued upon receipt of inward supply. Therefore, receipt of supplies for which the payment is yet to be made would entail only the issue of invoices from the unregistered Person and not the payment voucher. Also, payment in advance to the supplier would only result in issuing of payment vouchers and not invoice from unregistered Persons.
- o Payment vouchers are to be issued in cases of all payment to suppliers if the supply is under reverse charge. Invoice from an unregistered Person are liable only if the supplier is unregistered. If the supplier is registered and his outward supply is under reverse charge, then the recipient is not required to issue invoice from the unregistered Person but only the payment voucher at the time of payment.

Illustration

Please specify which of the following supplies would form part of reporting under inward supplies received on reverse charge basis along with their values:

- (a) Intra state supply received from GTA (charging tax @ 12%) in January 2018 reported incorrectly in 'Table 3.1(a) - Inward supplies liable to reverse charge' of GSTR 3B: Rs. 25000. This was rectified in the month of August 2018.
- (b) Professional services received from an unregistered supplier on 15th July 2017 for Rs. 15000 was not in GSTR 3B even though the limit of Rs. 5000 as per section 9(4) of CGST Act was crossed. This has not been corrected till date.
- (c) Remuneration paid to non-executive directors in November 2017 not shown in GSTR 3B for Rs.4,00,000. This was later disclosed, and tax was paid under reverse charge basis in Table 3.1(d) of GSTR 3B in March 2018
- (d) Inward supplies liable to reverse charge in Table 3.1(d) of GSTR 3B incorrectly shown as Rs. 100000 in November 2017 but later rectified as Rs. 200000 in April 2018
- (e) Input tax Credit on reverse charge supplies availed in Table 4A (3) of GSTR 3B but not shown as part of inward supplies liable to reverse charge under Table 3.1 (d) of GSTR 3B in January 2018: Rs. 75000. This has not been rectified till date.
- (f) CGST and SGST paid on inward supplies liable to reverse charge in Table 3.1(d) of GSTR 3B in March 2018 instead of IGST and rectified in May 2018: 30000

Ans. Reporting under supplies received on reverse charge basis should consist of only those supplies which have been reported in the GSTR 3B during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations mentioned above are to be reported in the following manner:

In situation (a), supplies are received by a business entity on which normal/forward charge is applicable. It should not have been disclosed under reverse charge. Since, the reporting as of March 2018 is to be considered, the said amounts would continue to be disclosed under reverse charge. This is because the correction of the said heading to forward charge instead of reverse charge was made only in August 2018 (i.e. after March 2018)

In situation (b), service received from an unregistered Person shall be liable to payment of tax on reverse charge basis when the limit of Rs. 5000 has been crossed on that day. Therefore, the professional services from unregistered supplier should form part of reverse charge supply. However, since annual return requires 'as is' reporting and the said supply has not been disclosed anywhere, it would not be reported under this clause.

In Situation (c), remuneration paid to the directors is liable to payment of tax under reverse charge mechanism. Remuneration of Rs. 400000 paid in November was not disclosed in GSTR 3B. However, the error was rectified in March 2018. Therefore, the rectified value of Rs. 4,00,000 should be taken.

In situation (d), the original value was reported as Rs. 1,00,000 in November 2017. However, the rectification of such value was carried out as Rs. 2,00,000 in April 2018. As per the reporting till March 2018, the value was taken as Rs. 1,00,000. Hence, Rs. 1,00,000 should be taken for the purpose of reporting here.

In situation (e), payment of tax under reverse charge mechanism is not reported. However, Rs. 75000 has been availed in Table 4A (3) of GSTR 3B. Since the error has not been rectified till March 2018, such inward supplies liable to reverse charge as per Table 3.1(d) of GSTR 3B in January 2018 shall not be aggregated in the annual return

In situation (f), payment of tax is made under incorrect tax head. However, such rectification was carried out in May 2018. As per the reporting till March 2018, tax paid shall be considered under CGST and SGST instead of IGST.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts do not belong to the earlier tax regime (Before 1st July 2017). If tax is not payable under reverse charge on the inward supplies under the GST regime as it belongs to the earlier period, then it should not be reported here.

- The tax paid on inward supplies under reverse charge and the input tax credit on the same as disclosed in GSTR 3B should be reconciled to find if the difference is only due to blocked credit
- The inward supply register should be used as the basis for validating the amounts disclosed in the GST returns. The tax paid on reverse charge as per the books of accounts and that reported in GSTR 3B should be reconciled.
- The documents issued under reverse charge i.e. invoices from unregistered Persons and payment vouchers should be checked to determine whether the values under reverse charge are correctly disclosed
- Any advance payments to a supplier would trigger the time of supply even though the original supply on which reverse charge is applicable is yet to be made. These amounts of advances may be available from the Balance Sheet
- Only rectification of the amounts of inward supplies reported in the GST returns up to the tax period of March should be considered under this clause
- Reverse charge payments under section 9(4) would be applicable only if the time of supply occurs before 13th October 2017. Subsequently there should not be any disclosure of reverse charge under section 9(4)
- One should carefully check all the conditions which are necessary for a supply to fall within reverse charge as per the relevant notifications for both goods and services
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented

Conclusion

Therefore, 4G of GSTR 9 contains B2C information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4H. Sub-total of (A) to (G)

4H	Sub-total (A to G above)					
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This is a summation from 4A to 4G.

Sl. No. 4I. Credit notes issued in respect of transactions specified in (B) to (E) above

4I	Credit Notes issued in respect of transactions specified in (B) to (E) above (-)					
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Table No.	Instructions
4I	Aggregate value of credit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.

Introduction

4I in GSTR 9 contains details of credit notes in respect of outward supplies in 4B to 4E of GSTR 9.

Section 34(1) of the CGST Act allows a person to issue a credit note to the recipient where the tax invoice has been issued for the supply of goods or services or both in the following cases:

- (a) Where the taxable value or tax charged is found to exceed the taxable value or tax payable
- (b) Where the goods supplied are returned by the recipient
- (c) Where the goods or services or both supplied are found to be deficient

A person issuing the credit note has to declare such details in the return for the month during which the credit note is issued but not later than September following the end of the financial year in which the supply was made or the date of furnishing the annual return whichever is earlier. Therefore, for instance the credit note pertaining to supply for the year 2017-18 is to be issued and reported by the return for the month of September 2018 or the annual return for the year 2017-18 whichever is earlier.

Analysis

➤ Source of Information

Information in respect of credit notes issued may be obtained from Table 9B of GSTR 1.

➤ Validation

It is suggested that the following reconciliations should be carried out for reporting correct values and making them in consonance with each other:

- (a) Values as declared in credit notes and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4H would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Aggregate Value of Credit Notes issued in respect of B2B supplies, Exports, Supplies to SEZs, Deemed Exports	Both inter and intra state	Table 9B

The credit notes depicted in Table 9B of GSTR 1 can be issued in respect of the following:

- o 4B – Supplies made to Registered Persons (B2B)
- o 4C – Zero rated supply (Export) on payment of tax (except supplies to SEZs)
- o 4D – Supply to SEZs on payment of tax
- o 4E – Deemed Exports

Any refund of advance amount in respect of the above supplies against which refund voucher has been issued and reported as part of Table 9B are also to be reported here.

It must be noted that credit notes issued in respect of supplies made to unregistered Persons (B2C) would not be reported here. Even under GSTR 1, such credit notes are shown as part of Table 7 and not as part of Table 9B. Therefore, they need not be excluded from Table 9B for reporting here.

However, the complete Table 9B cannot be borrowed as it is for computation of the amount under this clause. This is because there may be supplies wherein no tax was payable against which credit notes were issued and were reported under Table 9B. Such credit notes even though they form part of Table 9B would not be reported here but under Point 5H and not 4I.

Illustration

Please specify which of the following supplies would form part of reporting under credit notes issued in respect of outward supplies along with their values:

- (a) Credit note issued in March 2018 of Rs. 2,00,000 in respect of intra state supplies made to Registered Persons in December 2017 for Rs. 5,00,000
- (b) Credit note issued in April 2018 of Rs. 1,00,000 in respect of interstate supplies made to consumers in January 2018 for Rs. 3,00,000
- (c) X Ltd issued a credit note worth Rs. 20,000 against supply made in November. However, in GSTR 1 it was furnished as debit note. The error was rectified in April 2018
- (d) Credit note issued in respect of intra state supplies made to a consumer in August 2017: Rs. 25000
- (e) Credit note issued in September 2017 for Rs. 5000 wherein GST has not been charged

as it could not satisfy the conditions of being treated as discount under section 15(3) of the CGST Act. The original invoice was issued in the month of July 2017 for Rs. 200000

Ans. Reporting under credit notes issued for outward supplies made consists only of those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations given above are to be reported in the following manner:

In situation (a), the credit note for the period December 2017 was issued in March 2018. Since, this reduction in value occurred during the Financial year ending March 2018, the reduction in value of Rs. 2,00,000 would be allowed.

In situation (b), the credit note was issued in April 2018 even though it pertains to the period January 2018. Since, the credit note was issued after March 2018, Rs. 1,00,000 would not be allowed as reduction in value in this clause. It would be reported in Part V of the annual return.

In situation (c), one only needs to consider the position of reporting as on March 2018. Till March 2018, it was considered as debit note and not credit note. Any rectifications made post March 2018 should not be considered. Therefore, Rs. 20000 would continue to be reported as debit note.

In situation (d), credit note issued in respect of intra state supplies to consumers are not be shown separately as credit note. In fact, the same shall be adjusted with B2C outward taxable supplies in 4A of the annual return. Hence, the credit note worth Rs. 25000 shall not be reported in this field.

In situation (e), since the credit note does not contain the values of GST, they are not to be treated as credit note in terms of section 34. Therefore, they would not be disclosed here.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that if the original supply had occurred before the enactment of GST (1st July 2017), then the credit notes (if any) issued should clearly be explainable through the transitional provisions
- The outward supply register should be used as a basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented
- If the credit notes pertain to the supply to unregistered Persons, then these should form part of this clause

- Only credit notes issues in respect of those supplies on which tax is payable should be reported. Any supplies which are NIL rated, exempted, non-GST etc. should not be reported
- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under outward supplies as per Table 3.1(a) and (b) in GSTR 3B
- Credit notes which are in relation to these supplies should be captured only if the suitable effect of GST is provided in them. Any commercial/accounting credit notes which do not contain the charge of GST should not be adjusted for the calculation of taxable value and tax amounts.

Conclusion

Therefore, 4I of GSTR 9 contains information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

SI. No. 4J. Debit notes issued in respect of transactions specified in (B) to (E) above

4J	Debit Notes issued in respect of transactions specified in (B) to (E) above (+)					
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Table No.	Instructions
4J	Aggregate value of debit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.

Introduction

4J in GSTR 9 contains details of debit notes in respect of outward supplies in 4B to 4E of GSTR 9. Only Debit notes dated before Mar 31, 2018 are to be reported and not debit notes relating to 2017-18 but issued in 2018-19.

Section 34(2) of the CGST Act allows a person to issue a debit note to the recipient wherein the taxable value or tax charged in that invoice is found to be less than the taxable value or tax payable in the tax invoice issued earlier

A person issuing the debit note has to declare such details in the return for the month during which the debit note is issued. In the annual return, that person is required to disclose only those debit notes which pertains to the relevant financial year and have also been issued by

him up to March of the relevant financial year. Any debit note issued after March of the relevant financial year would be reported in Part V of the annual return.

Analysis

➤ Source of Information

Information in respect of debit notes issued may be obtained from Table 9B of GSTR 1.

➤ Validation

The debit notes as depicted in Table 9B of GSTR 1 can be issued in respect of the following:

- o Point 4(B) – Supplies made to Registered Persons (B2B)
- o Point 4(C) – Zero rated supply (Export) on payment of tax (except supplies to SEZs)
- o Point 4(D) – Supply to SEZs on payment of tax
- o Point 4(E) – Deemed Exports

It must be noted that debit notes issued in respect of supplies made to unregistered Persons (B2C) would not be reported here. Even under GSTR 1, such debit notes are shown as part of Table 7 and not as part of Table 9B. Therefore, they need not be excluded from Table 9B for the purpose of reporting.

It is suggested that the following reconciliations should be carried out for reporting of correct values and making them in consonance with each other:

- (a) Values as declared in debit notes and those declared in books of accounts
- (b) Values declared in books of accounts and in GSTR 3B
- (c) Values declared in books of accounts and values as per GSTR 1
- (d) Values declared in GSTR 3B and in GSTR 1

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 4J would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Aggregate Value of Debit Notes issued in respect of B2B supplies, Exports, Supplies to SEZs, Deemed Exports	Both inter and intra state	Table 9B

Illustration

Please specify which of the following supplies would form part of the reporting under credit notes issued in respect of outward supplies along with their values:

- (a) Debit note issued in March 2018 of Rs. 2,00,000 in respect of intra state supplies made to Registered Persons in December 2017 for Rs. 5,00,000
- (b) Debit note issued in April 2018 of Rs. 1,00,000 in respect of interstate supplies made to Registered Persons in January 2018 for Rs. 3,00,000
- (c) Y Ltd issued a debit note worth Rs. 20000 against supply made in November. However, in GSTR 1 it was furnished as credit note. The error was rectified in April 2018
- (d) Debit note issued in respect of intra state supplies made to a consumer in August 2017: Rs. 15000

Ans. Reporting under debit note issued for outward supplies consists of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations given above are to be reported in the following manner:

In situation (a), the debit note for the period December 2017 was issued in March 2018. Since, the alteration of value occurred during the Financial year ending March 2018, the increase in value of Rs. 2,00,000 would be allowed.

In situation (b), the debit note was issued in April 2018 even though it pertains to the period January 2018. Since, the debit note was issued after March 2018, Rs. 1,00,000 would not be allowed as increase in value

In situation (c), one only needs to consider the position of reporting as on March 2018. Till March 2018, it was considered credit note and not debit note. Any rectifications made post March 2018 should not be considered. Therefore, Rs. 20000 would continue to be reported as credit note.

In situation (d), debit note issued in respect of intra state supplies to consumers are not to be shown separately as debit note. In fact, the same shall be adjusted with B2C outward taxable supplies. So, the debit note worth Rs. 25000 shall not be reported in this field.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that the original supply had occurred before the enactment of GST (1st July 2017). The debit notes issued against it should be explainable through transitional provisions
- The outward supply register should be used as a basis for validating the amounts disclosed in the GST returns
- In case of any valuation differences between books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented

- If the debit notes pertain to the supply to unregistered Persons, then these should form part of this clause
- Only debit notes issues in respect of those supplies on which tax is payable should be reported. Any supplies which NIL are rated, exempted, non-GST etc. should not be reported.
- The taxable values and tax payable even though extracted from GSTR 1 should be reconciled with the reporting made under outward supplies as per Table 3.1(a) and (b) in GSTR 3B

Conclusion

Therefore, 4J of GSTR 9 contains information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4K and 4L. Supplies / tax declared through amendments³

4K	Supplies / tax declared through Amendments (+)					
4L	Supplies / tax reduced through Amendments (-)					

Table No.	Instructions
4K & 4L	Details of amendments made to B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E), credit notes (4I), debit notes (4J) and refund vouchers shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.

Introduction

As per section 39(9) of the CGST Act, if any Registered Person detects any omission or incorrect particulars, he can rectify these in the return to be furnished for the month during which they are detected.

Further, Circular no. 26/26/2017-GST dated Dec 29, 2017 prescribes the procedure for a person to correct any error or omission made in his GSTR 3B and GSTR 1. It is important to note that declaration of omissions and amendment to declaration already made are permitted in any subsequent month even in the returns of April to September 2018.

Such declarations and amendments by transposing from one month to another but within

³ Clarification sought from the Government.

2017-18 must be reported here. Continuation of such declarations and amendments in 2018-19 of data relating to 2017-18 is not permitted in point 4K. It is required to be carried in Pt. V point 10 and 11, as applicable.

Analysis

➤ Source of Information

The various components of this Part 4K and 4L would be as follows:

Category of Supply	Nature of Supply	Relevant Table of GSTR 1
Amendments made in B2B supplies, exports, SEZ supplies, deemed exports due to incorrect invoice or shipping bills furnished earlier	Both inter and intra state	Table 9A
Amendments made in credit notes, debit notes and refund vouchers	Both inter and intra state	Table 9C

The following are the particulars in respect of which the amendments are to be considered in this clause:

- Table 4 – Outward supplies made to Registered Persons including through e-commerce operators (except where tax is payable under reverse charge)
- Table 5 – taxable inter-state outward supplies to unregistered Persons where the invoice value is more than Rs. 2.5 lakhs including through e-commerce operators
- Table 6 – Zero rated supplies and deemed exports
 - o 6A – Exports
 - o 6B – Supplies made to SEZ unit or developer
 - o 6C – Deemed exports
- Validation

It may be noted that the amendments may be in respect of a number of fields which are:

- GSTIN
- Invoice number
- Invoice date
- Shipping Bill number
- Shipping Bill date
- Total value of invoice

- Rate of tax
- Place of supply
- taxable value
- Amount of taxes (CGST/SGST/IGST/Cess)

It may be noted that except the last points, as above, all the amendments are static in nature. These amendments may not affect value and taxes paid. If the value and taxes are not affected, then they are not to be reported under this clause. This is because while disclosing the original supply i.e. B2B, B2CL, zero rated supplies and deemed exports, a taxable person would have considered the correct values while enlisting them within the annual return. Therefore, adding/reducing the amendment Table amounts once again would be grossly incorrect.

However, if the amendments pertain to the last points given above then the impact of that needs to be factored in this clause. It may result in increasing or decreasing the taxable value and/or with the taxes. If it is to be increased, it will be considered in 4K. If it is to be decreased, then the same will be considered in 4L. However, it must be noted that only the net effect of the amendments needs to be captured i.e. the incremental or differential value. If the whole invoice disclosed in the amendment Table is considered once again, then it may result in obtaining an incorrect amount.

Illustration

Please specify which of the following supplies would form part of the reporting under credit notes issued in respect of outward supplies along with their values:

- (a) GSTIN of a party incorrectly furnished in GSTR 1 of November 2017 and rectified later in April 2018.
- (b) M Ltd exported goods worth Rs. 200000 to USA in October 2017. The number of shipping bills was stated incorrectly in Table 6A of GSTR 1 and later the same was amended later in November 2017
- (c) The taxable value of a B2B supply as disclosed in the GSTR 1 for the month of August 2017 was Rs. 200000. However, instead of Rs. 24000, ISGT shown was 36000. This was rectified in the month of February 2018.
- (d) Taxable value of a B2C supply disclosed in the GSTR 1 for the month of August 2017 was Rs 500000. However, instead of Rs 60000, IGST shown was Rs. 25000. This was rectified in the month of March 2018.
- (e) Incorrect taxable value of Rs. 100000 was shown in December 2017 in B2B supply which was rectified as Rs. 75000 in the amendment Table in GSTR 1 in July 2018.

Ans. Reporting under supplies/tax declared through amendments made consists of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any reporting made subsequently in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations are to be reported in the following manner:

In situation (a), the GSTIN of party was furnished incorrectly in GSTR 1 of November 2017. However, the same was rectified in December 2017. Since this is an amendment of the static data and does not affect taxable values and taxes, they would not be considered for reporting here.

In situation (b), Shipping Bill details entered incorrectly were rectified in November 2017. However, since this is an amendment of the static data and does not affect taxable values and taxes, they would not be considered for reporting here.

In situation (c), since the rectification of the amendment was made in February 2018 (before March 2018) and the same relates to B2B supply, the tax adjustments would be made in 4K of GSTR 1.

In situation (d), the rectification relates to B2C supply. Since, they have already been reported as part of 4A of the annual return, they are not to be reported once again.

In situation (e), since the rectification occurred after March 2018, it would not be disclosed as part of supplies reduced through amendments in 4L.

Illustration: Please specify which of the following supplies would form part of reporting under credit notes issued in respect of outward supplies along with their values:

- (a) Credit note issued in April 2018 of Rs. 1,00,000 in respect of interstate supplies made to Registered Persons in January 2018 for Rs. 3,00,000
- (b) Debit note issued in August 2017 was tagged against a wrong invoice. This was rectified in December 2017: Rs. 50000
- (c) Credit note issued in January 2018 of Rs. 1,00,000 in respect of interstate supplies made to a Registered Person was incorrect and rectified in March 2018 with value worth Rs. 125000.

Ans. Reporting under supplies/tax reduced through amendments made consists of only those supplies which have been reported in the GSTR 1 during the period July – March 2018. Any subsequent reporting in 2018-19 even in respect of the period July – March 2018 should not be considered for reporting in this Table. The situations given above are to be reported in the following manner:

In situation (a), the credit note was issued in April 2018 even though it pertains to the period January 2018. Since, the credit note was issued after March 2018, Rs. 1,00,000 would not be allowed as reduction in value in 4K and 4L. It would be reported in Part V of the annual return.

In Situation (b), since this is an amendment of the static data and does not affect taxable values and taxes, it would not be considered for reporting here.

In Situation (c), the credit note issued in January 2018 worth Rs. 100000 was incorrect. Rectified value i.e., Rs. 125000 was shown in March 2018. Since, the credit note was issued before March 2018, Rs. 1,25,000 would be allowed as reduction in value in the clause of the annual return.

Notes to consider

- Amendments should not be in respect of a supply belonging to the period before the GST regime
- Amendments involving static change in data should not be captured
- The net effect from the amendment should only be taken and not the complete invoice value in the amendment value as it would incorrectly consider the same data twice.
- Any amendments to the outward supplies under reverse charge, exempted, nil rated, and non-GST supplies should not be considered here
- Any amendments made in GSTR 3B would not be captured here
- Any amendments made in the return for the period after March of the relevant financial year would not be captured here

Conclusion

Therefore, 4K and 4L of GSTR 9 contains information pertaining to 2017-18 that is declared in the returns, that is, GSTR 1 furnished during 2017-18 and belatedly during 2018-19 (up to such extended date as permitted).

Sl. No. 4M. Sub-total (I to L above)

4M	Sub-total (I to L above)					
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This contains the total of all the credit notes, debit notes and amendments made during the relevant financial year in respect of the supplies on which the tax has been paid.

Sl. No. 4N. Supplies and advances on which tax is to be paid (H+M) above

4N	Supplies and advances on which tax is to be paid (H + M) above	
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This is the summation of two subtotals:

- (a) All kinds of outward and inward supplies including advances on which tax is paid during the year

- (b) Amendments, credit notes and debit notes issued in respect of the supplies described in (a) above

It must be noted that this does not factor into account any amendments and disclosures made during the period April – September of the subsequent financial year in respect of supplies pertaining to the relevant financial year.

Table 5 of GSTR 9: Detail of Outward Supplies on which tax is not payable as declared in returns filed during the financial year

			(Amount in ₹ in all tables)			
	Nature of Supplies	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6

- (i) Table 5 has been divided into various segments from Rows 5A to 5N and the Government intends to capture the details of all those outward supplies on which tax is not payable by the taxpayer on fulfilment of essential conditions of the law.
- (ii) Apparently, it seems that such details are to be furnished in this Table only to the extent of as declared in the returns filed during the financial year 2017-18 i.e. for the period from July 1, 2018 to March 31, 2018. Here, “returns filed during the F.Y. 2017-18” may be read as “returns filed for the F.Y. 2017-18”.
- (iii) Summarily supplies which are to be covered in this Table may be exports, supplies to SEZ, outward supplies on which the recipient is liable to pay tax i.e. which are subject to RCM, exempted supplies, nil rated supplies, non-GST supply including no supply to be reported in Rows 5A to 5F.
- (iv) As far as credit and debit notes issued pertaining to such outward supplies and further amendments made in such outward supplies through Amendment Table-9 of GSTR 1, during the financial year covered as above are to be reported separately Sl.No. 5H to 5K.

Sl. No. 5A: Zero Rated Supply (Export) without payment of tax

5	Details of Outward supplies on which tax is not payable as declared in returns filed during the financial year					
A	Zero rated supply (Export) without payment of tax					

Table No.	Instructions
5A	Aggregate value of exports (except supplies to SEZs) on which tax has not been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.

Introduction

This information must be derived from Table 6A i.e. Exports of GSTR 1.

Analysis

The term 'zero rated supply' defined under section 2(23) of the IGST Act to be read with section 16 of IGST Act, which says zero rated supply to be the following supplies of goods or services, namely:

- (i) exports of goods or services or both; or
- (ii) supply of goods or services or both to a SEZ developer or SEZ unit.

A Registered Person making zero rated supply has following two options:

- (a) he may supply goods or services or both under bond or LUT subject to such conditions, safeguards and procedure as may be prescribed without payment of integrated tax and claim refund of input tax credit; or
- (b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied.

NN 37/ 2017-Central tax, dated Oct 4, 2017 extended the facility of LUT to all exporters under rule 96A of CGST Rules except those who have been prosecuted for any offence under the CGST Act or the IGST tax Act or any of the existing laws and the amount of tax evaded in such cases exceeds Rs. 250 lakhs.

Circular No. 8/ 8/ 2017-GST, dated Oct 4, 2017 has clarified that the LUT shall be valid for the whole financial year in which it is tendered. However, in case goods are not exported within the time specified in sub-rule (1) of rule 96A of the CGST Rules and the Registered Person fails to pay the amount mentioned in the said sub-rule, i.e. the Registered Person fails to pay the tax due along with interest within a period of 15 days after expiry of three months or such further period as may be allowed by the Commissioner, from the date of issue of the invoice where the goods are not exported out of India, the facility of export under LUT would be deemed to have been withdrawn. Similarly, the time period in case of services is fifteen days after the expiry of one year or such further period as may be allowed by the Commissioner from the date of issue of the invoice for export, if the payment of such services is not received by the exporter in convertible foreign exchange. If the amount mentioned in the said sub-rule

is paid subsequently, the facility of export under LUT shall be restored. As a result, exports, between the period when the facility to export under LUT is withdrawn and till time the same is restored, shall be either on payment of the applicable integrated tax or under bond with a bank guarantee.

Illustration

Mr. A made two exports one to China against LUT without charging any tax of INR 10.00 lacs and another to USA after charging IGST @ 18% of Rs. 25.00 lacs. Both these exports were reported by him in Table 6A of GSTR 1. However, while filling up the GSTR 9, he has to report only the exports made to China i.e. the one without payment of tax.

Notes to consider

- (i) Supplies made to SEZ are not to be reported here.
- (ii) We must keep in mind here that Table 6A of GSTR 1 also contains those exports which were made on payment of taxes, therefore, the same are not to be reported here. Such exports are to be reported in Table 4C of GSTR 9.

Additional notes to consider

- (i) While filling up this information we must keep in mind that we have to report here only those exports which have been made against LUT/ Bond without payment of any tax under the GST law.
- (ii) In table 5A, since the taxpayer must report export of goods or services made under bond or LUT without payment of tax, the corresponding columns of Central tax, State/ Union Territory tax, Integrated tax and Cess shall remain freeze.
- (iii) The taxpayers shall identify the cases wherein, the facility of LUT was withdrawn due to any default on the part of a taxpayer and exports were made on payment of integrated tax so that the two can be reported in appropriate Tables as per the requirements of GSTR 9.

Checklist of documents to be verified

- (i) To verify all documents related to exports like invoices, shipping bills, exports manifests, LUT's, bonds, GSTR RFD-11.

Issues

- (i) Under Rule 96A of the CGST Rules, an exporter is required to furnish a bond or Letter of Undertaking (LUT) to the jurisdictional Commissioner before effecting zero rated supplies. If such supplies have been made before filing the LUT, in which Table should they be disclosed?

- (ii) Circular No. 37/ 11/ 2018-GST, dated 15-Mar-2018, has clarified that the substantive benefits of zero rating may not be denied where it has been established that exports in terms of the relevant provisions have been made. The delay in furnishing of LUT in such cases may be condoned and facilities for export under LUT may be allowed on ex post facto basis, considering the facts and circumstances of each case. Accordingly, such supplies shall also be reported in Table 5A of GSTR 9.

Conclusion

In this sub Table the taxpayer is expected to furnish information related to supplies of exports (outside India) made by him without payment of tax during the financial year 2017-18 i.e., from July 1, 2017 to March 31, 2018

5B: Supply to SEZs without payment of tax

5B	Supply to SEZs without payment of tax						
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Table No.	Instructions
5B	Aggregate value of supplies to SEZs on which tax has not been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.

Introduction

This information must be derived from Table 6B i.e. Supplies to SEZ of GSTR 1.

Analysis

As discussed above, as per section 16 of the IGST Act supplies to SEZ developer or SEZ unit is a zero-rated supply with options available to either supply goods or services under bond or LUT without payment of tax or supply of goods or services with payment of tax.

Circular No. 48/ 22/ 2018-GST, dated 14-Jun-2018 has clarified that supplies to a SEZ developer or a SEZ unit shall be zero rated and the supplier shall be eligible for refund of unutilized input tax credit or integrated tax paid, as the case may be, only if such supplies have been received by the SEZ developer or SEZ unit for authorized operations. An endorsement to this effect shall have to be issued by the specified officer of the Zone.

Illustration

Mr. A has made two supplies to SEZ one against LUT without charging any tax of INR 10.00 lacs and another after charging IGST @ 18% of Rs. 25.00 lacs. Both these supplies were reported by him in Table 6B of GSTR 1. However, while filling up the GSTR 9, he has to report only the supplies made without payment of tax.

Notes to consider

- (i) Export of goods or services is not to be reported here.
- (ii) We have to keep in mind that Table 6B of GSTR 1 also contains those supplies to SEZ which were made on payment of taxes; therefore, the same are not to be reported here. Such exports are to be reported in Table 4D of GSTR 9.

Additional notes to consider

- (i) While filling up this information we have to keep in mind that we have to report here only those supplies which are made to SEZ developers and SEZ units and which have been made against LUT/ Bond without payment of any tax under the GST law.
- (ii) In Table 5A, since the taxpayer has to report supplies to SEZ under bond or LUT without payment of tax, the corresponding Columns of Central tax, State/ Union Territory tax, Integrated tax and Cess shall remain freeze.
- (iii) Supplies to SEZ shall be for authorized operations only.
- (iv) Taxpayers shall identify cases wherein, the facility of LUT was withdrawn due to any default on the part of a taxpayer and exports were made on payment of integrated tax so that the two can be reported in appropriate Tables as per the requirements of GSTR 9.

Checklist of documents to be verified

- (i) To verify all documents related to supplies made to SEZ, such as invoices, LUT's, bonds and other related documents, GSTR RFD-11.

Conclusion

In this sub Table the taxpayer is expected to furnish information related to supplies to SEZ made by him without payment of tax during the financial year 2017-18, i.e., from 01-07-2017 to 31-03-2018

Sl. No. 5C: Supplies on which tax is to be paid by the recipient on reverse charge basis

5C	Supplies on which tax is to be paid by the recipient on reverse charge basis					
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Table No.	Instructions
5C	Aggregate value of supplies made to registered persons on which tax is payable by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4B of FORM GSTR-1 may be used for filling up these details.

Introduction

This information has to be derived from Table 4B i.e. B2B supplies attracting RCM of GSTR 1.

Analysis

Section 9(3) of the CGST Act provides that the Government may specify the categories of supply of goods or services or both on which the tax be paid on reverse charge basis by the recipient of such goods or services and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying tax in relation to supply of goods or services or both. In other words, a person who is making supply of goods or services on which tax is to be paid by the recipient shall not collect tax from him.

In this regard, the Government has issued NN 4/2017-CT(R) tax dated Jun 28, 2017 and NN 13/ 2017-CT(R) tax dated Jun 28, 2017 as amended from time to time, to notify the goods and services on which tax is to be paid by recipients on reverse charge basis. If the supply of taxpayer falls within the scope of these notifications, then he has to declare such supplies in this Table.

Illustration

The value of legal services provided by an individual advocate, including a senior advocate or firm of directly or indirectly to any business entity located in a taxable territory shall be reported in Table-5C of GSTR 9.

Attention is to be drawn here that service provided by

- (a) an arbitral tribunal to –
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year;
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity;
- (b) a partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to—
 - (i) an advocate or partnership firm of advocates providing legal services;
 - (ii) any person other than a business entity; or
 - (iii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category States) in the preceding financial year;
 - (iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity;

- (c) a senior advocate by way of legal services to—
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category States) in the preceding financial year.
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity

are exempt by virtue of NN 12/ 2017-CT(R) tax dated Jun 28, 2017. Therefore, these supplies should be reported in a subsequent Table and not in Table-5C.

Notes to consider

Exempted supplies effected by a supplier on which tax is neither payable under reverse charge nor under forward charge shall not be reported here.

Additional notes to consider

- (i) Details of debit and credit notes are to be mentioned separately.
- (ii) This information can be derived from Table 4B of GSTR 1, since the supplies notified in the said notifications if made to un-registered person are either exempt or the person is required to take compulsory registration under section 24 of the CGST Act.
- (iii) Please note that, as per section 17(3) of the CGST Act the value of exempt supply include supplies on which a recipient is liable to pay tax on reverse charge basis. Although, the supplies on which a recipient is liable to pay tax on reverse charge basis is to be shown separately under this head and not as exempt supply, the turnover declared in this particular Table should be considered for the purpose of reversal under section 17(2) of the CGST Act read with Rules 42 and 43 of the CGST Rules.

Checklist of documents to be verified

- (i) To verify all documents related to reverse charge supplies like invoice, payment voucher issued by recipient of goods or services at the time of making payment to the supplier

Conclusion

In this sub Table the taxpayer is expected to furnish information related in relation to supplies on which the recipient and not the supplier is required to pay tax during the financial year 2017-18, i.e., from Jul 1, 2017 to Mar 31, 2018.

Sl. No. 5D: Exempted

5D	Exempted					
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Table No.	Instructions
5D, 5E and 5F	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here. Table 8 of FORM GSTR-1 may be used for filling up these details. The value of "no supply" shall also be declared here.

Introduction

Aggregate value of exempted supplies shall be declared here.

This information has to be derived from Table-8, i.e. Exempted outward supplies of GSTR 1. This Table of GSTR 1 is further divided into the following four parts-

- (i) 8A titled as "Inter-State supplies to Registered Persons"
- (ii) 8B titled as "Intra-State supplies to Registered Persons"
- (iii) 8C titled as "Inter-State supplies to unregistered Persons"
- (iv) 8D titled as "Intra-State supplies to unregistered Persons"

This bifurcation is not required in GSTR 9; therefore, consolidated amount of all the four parts may be given here.

Analysis

Section 2(47) of the CGST Act defines the exempt supply as supply of goods or services or both which attract nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes non-taxable supply.

This definition entails that exempt supply is a wide term and includes nil rated supply and non-taxable supply. GSTR 1 and GSTR 9 requires a bifurcation of such supplies into exempt, nil rated and non-GST.

On the contrary, there is no clear distinction between exempted and nil rated supply in law, because the lawmakers have not defined nil rated supply.

Illustration

Supplies which are wholly exempt by virtue of section 11 of the CGST Act or Section 6 of the IGST Act may be reported as exempt supply. For examples, supply of goods referred to in N/N 2/2017-CT(R) tax dated Jun 28, 2017 and supply of services referred to in NN 12/ 2017-CT(R) tax dated Jun 28, 2017.

Notes to consider

- (i) Value of nil rated, and non-taxable supplies shall not be declared here.
- (ii) Supply of goods to merchant exporters-

N/N 40/ 2017-Central tax (Rate), dated 23-Oct-2017 notified a lower rate of 0.05% CGST for intra-State supplies made to registered merchant exporters. Although this notification is issued in exercise of powers conferred in section 11(1) of the CGST Act, the supplies are not wholly exempt and taxable at a lower rate. Therefore, such supplies should be reported in the appropriate part of Table-4 of GSTR 9.

Additional notes to consider

- (i) Only value of exempt supplies shall be declared here.
- (ii) Vide this Table, the ratio of exempt supply to taxable supply may be taken for the reversal of the credit attributable to the exempt supply as per Rule 42 and 43 of the CGST Rules.
- (iii) Invoice-cum-bill of supply issued by a Registered Person supplying taxable as well as exempt supply shall bifurcate the exempt supplies to be reported in this Table.

Issues

- (i) High Sea Sales

Circular No. 33/ 2017-Customs, dated Aug 30, 2017, has clarified that IGST on high sea-sale(s) transactions of imported goods, whether one or multiple, shall be levied and collected only at the time of importation. Therefore, there would be no levy of IGST on such transactions in terms of proviso to section 5(1) which says that integrated tax on goods imported into India shall be levied and collected at the point when duties of customs are levied on the said goods under section 12 of Customs Act. But the question that arises is where report the turnover of high sea sale transactions because there is no levy of GST on such transactions. In the case of BASF India Ltd., the advance ruling authority held that high sea sales are non-taxable supply as per section 2(78) of the CGST Act and, therefore, an exempt supply as per Section 2(47) of the CGST Act. Since GSTR 9 requires a bifurcation of non-taxable supply from exempt supply, high sea sale transactions may be reported as non-taxable supply in Table No. 5F.

- (ii) Sale from custom bonded warehouse

Circular No. 3/ 1/ 2018-IGST dated May 25, 2018, has clarified that in case of supply of warehoused goods, integrated tax shall be levied and collected at the time of final clearance of the warehoused goods for home consumption. Therefore, the goods may be sold from custom bonded warehouse to any person in India or may be exported out of India and there would be no levy of IGST on such transactions in terms of proviso to Section 5(1) which says that integrated tax on goods imported into India shall be levied and collected at the point when duties of customs are levied on the said goods under section 12 of Customs Act. The value of such supplies shall be a non-taxable supply as

per Section 2(78) of the CGST Act and also an exempt supply under section 2(47) of the CGST Act. Accordingly supply from custom bonded warehouse may be reported as non-taxable supply in Table No. 5F.

Conclusion

In this sub Table the taxpayer is expected to furnish information related to supplies on which goods and services are wholly exempted from tax under Notification 2/20017 and 12/2017 during the financial year 2017-18, i.e., from Jul 1, 2017 to Mar 31, 2018.

Sl. No. 5E: NIL Rated

5E	Nil Rated					
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Introduction

Aggregate value of nil rated supplies shall be declared here.

This information has to be derived from Table-8 i.e. Nil rated outward supplies of GSTR 1. It is further divided into the following four parts-

- (i) 8A titled as "Inter-State supplies to Registered Persons"
- (ii) 8B titled as "Intra-State supplies to Registered Persons"
- (iii) 8C titled as "Inter-State supplies to unregistered Persons"
- (iv) 8D titled as "Intra-State supplies to unregistered Persons"

This bifurcation is not required in GSTR 9; therefore, consolidated amount of all the four parts may be given here.

Analysis

As discussed above, exempt supply includes nil rated supplies i.e. goods or services which attract nil rate of tax. However, the lawmakers have not made any distinction between exempt supplies and nil rated supplies. Also, the term 'nil rated supply' has not been defined in law.

Therefore, by looking at the history of indirect taxes, wherein under the Central Excise regime and also under the Customs Act there is a Schedule for nil rated items, it can be safely inferred that the only difference between exempt supply and nil rated supply is that in the case of exempt supply, the levy is at a rate higher than 0% as per tariff schedule but tax payable thereon is NIL due to exemption notification whereas in case of Nil rated supply, the levy itself is Nil rate and therefore tax payable thereon is also Nil.

NN 1/ 2017-CT(R) dated Jun 28, 2017, contains 6 Schedules with different rates of taxes and there is no Schedule levying tax @ 0% on goods.

However, in case of service only three services related to the lease of land and agriculture etc. are notified at Nil rate of tax in NN 11/2017- CT(R) dated Jun 28, 2017, as under: -.

- (i) Support services to agriculture, forestry, fishing, animal husbandry.
- (ii) Services by the Central Government, State Government, Union territory or local authority to Governmental authority or government entity, by way of lease of land.
- (iii) Supply of land or undivided share of land by way of lease or sub lease where such supply is a part of composite supply of construction of flats, etc. specified against serial number 3 of NN 11/ 2017- CT(R) dated Jun 28, 2017tax , at item (i); sub-item (b), sub-item (c), sub-item(d), sub-item (da) and sub-item (db) of item (iv);sub-item (b), sub-item (c), sub-item (d) and sub-item(da) of item (v); and sub-item (c) of item (vi).

Provided that nothing contained in this entry shall apply to an amount charged for such lease and sub-lease in excess of one third of the total amount charged for the said composite supply. Total amount shall have the same meaning for the purpose of this proviso as given in paragraph 2 of the said notification. It is necessary to verify all documents related to nil rated supplies, like the bill of supply, invoice-cum-bill of supply etc.

Notes to consider

Exempt supplies and non-taxable supplies shall not be declared here.

Additional notes to consider

- (i) Only nil rated supplies shall be declared in Table-5E.
- (ii) Taxpayers must bifurcate the supplies between exempt and nil rated supplies wisely.
- (iii) Since exempt supply includes nil rated supplies, the value of supplies disclosed in this Table should be considered for the purpose of reversal of credits in terms of Section 17(2) read with rules 42 and 43 of CGST Rules.

Conclusion

In this sub Table the taxpayer is expected to furnish information related to supplies on which NIL rate of duty is chargeable as per Section 9 read with N/N 1/2017 and N/N11/2017-Central tax (Rate) during the financial year 2017-18, that is , . from Jul 1, 2017 to Mar 31, 2018.

5F: Non-GST Supplies⁴

5F	Non-GST supply					
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⁴ Clarification sought from the Government.

Introduction

- (i) Aggregate value of non-GST supplies shall be declared here.
- (ii) The value of no supply shall also be declared here.

This information has to be derived from Table-8 i.e. Non-GST outward supplies of GSTR 1. It is further divided into the following four parts-

- (i) 8A titled as "Inter-State supplies to Registered Persons"
- (ii) 8B titled as "Intra-State supplies to Registered Persons"
- (iii) 8C titled as "Inter-State supplies to unregistered Persons"
- (iv) 8D titled as "Intra-State supplies to unregistered Persons"

This bifurcation is not required in GSTR 9; therefore, consolidated amount of all the four parts may be given here.

Analysis

Non-GST supply is not defined anywhere in the GST law. However, non-taxable supply is defined under Section 2(78) of the CGST Act which means supply of goods or services or both which is not leviable to tax under the CGST Act or the IGST Act. It can be concluded that non-GST supplies is used interchangeably with non-taxable supplies.

As discussed above, high sea sale transactions and sale from custom bonded warehouses are to be reported as non-taxable supply under Table-5F of GSTR 9, since these transactions are not leviable to tax under the GST at the time of outward supply. Another such transaction could be the supply of goods from non-taxable territory to another non-taxable territory. The value of such supplies shall also be reported as non-taxable supply under the GST.

Although these supplies are reported as non-taxable supplies, but the value of such supplies shall also be considered for the purpose of reversal of input tax credit in terms of Section 17(2) read with Rules 42 and 43 of the CGST Rules.

Recently an amendment has been brought in law vide Central Goods and Services tax (Amendment) Act, 2018, dated 29-Aug-2018, effectiveness of which is yet to be notified to include the following supplies in Schedule III of the CGST Act, i.e., activities or transactions which are to be treated neither as supply of goods nor supply of service-

- (i) Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
- (ii) Supply of warehoused goods to any person before clearance for home consumption;
- (iii) Supply of goods by the consignee to any other person, by endorsement of documents of title to goods, after they have been dispatched from the port of origin located outside India but before clearance for home consumption.

An explanation is also inserted in Section 17(3) of the CSGT Act vide the Central Goods and Services tax (Amendment) Act, 2018, dated 29-Aug-2018, that the “value of exempt supply” shall not include the value of activities or transactions specified in Schedule III, except those specified in paragraph 5 of the said Schedule.

Accordingly, in view of the above amendment high sea sale transactions, supply from custom bonded warehouse, supply from non-taxable territory to another non-taxable territory shall not be considered as exempt supply and hence not liable for reversal of credits.

Illustration

Other non-taxable supplies may be-

- (i) Supply of alcoholic liquor for human consumption.
- (ii) Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
- (iii) Out-of-pocket expenses incurred and retained in the Balance Sheet to be recovered and brought to ‘nil’ balance after its recovery.

Notes to consider

Exempt supplies and nil rated supplies shall not be declared here.

Please also examine if conditions of Rule 33 are satisfied in respect of amounts recovered as out-of-pocket expenses collected towards costs incurred on behalf of other persons.

Additional notes to consider

- (i) Only non-GST supplies shall be declared in Table-5F.
- (ii) Taxpayers must bifurcate the supplies between exempt and non-GST supplies wisely.
- (iii) Since non-taxable supplies are also referred to as exempt supply as per section 2(47) of the CGST Act, the value of such supplies declared in this Table shall be considered for the purpose of reversal of input tax credit in terms of section 17(2) read with rules 42 and 43 of the CGST Rules.

Issues

- (i) GSTR 9 requires the value of “no supply” to be declared in this return. The term ‘no supply’ could mean those supplies which form part of Schedule-III which includes activities or transactions to be treated neither as supply of goods nor supply of services particularly the most common , which are
 - “1. Services by an employee to the employer in the course of or in relation to his employment.

.....

4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
6. Actionable claims, other than lottery, betting and gambling.”

However, it is not clear in which Table such supplies are to be reported. It is advisable to club them with Non-taxable supplies.

This is additional information sought in GSTR 9 which was not required to be reported either in GSTR 1 or GSTR 3B.

- (ii) Another thing to be noted is that in terms of Section 17(3) of the CGST Act, sale of land and the sale of a building is to be included in the value of exempt supplies for the purpose of reversal. Therefore, it may be reported here so that the ratio of exempt supply to taxable supply may be taken correctly for the reversal of the credit attributable to the exempt supply.

Checklist of documents to be verified

To verify all the documents related to non-GST supplies like bill of supply, invoice-cum-bill of supply etc. As per Rule 49 of the CGST Rules, any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any non-taxable supply shall be treated as a bill of supply for the purposes of this Act.

Conclusion

In this sub Table the taxpayer is expected to furnish information related to supplies on which tax is not leviable during the financial year 2017-18 i.e. from Jul 1, 2017 to Mar 31, 2018.

Sl. No. 5G: Sub-total (A to F above)

5G	Sub-total (A to F above)					
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The total of this Table may be auto-calculated and would contain the sum total of outward supplies on which tax is not payable without giving effect to amendments through credit and debit notes or through amendment Table in any subsequent returns.

Sl. No. 5H: Credit Notes issued in respect of transactions specified in A to F above

5H	Credit Notes issued in respect of transactions specified in A to F above (-)					
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Table No.	Instructions
5H	Aggregate value of credit notes issued in respect of supplies declared in 5A, 5B, 5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.

Introduction

Aggregate value of credit notes issued in respect of supplies declared in Table 5A, 5B, 5C, 5D, 5E and 5F.

This information has to be derived from Table-9B i.e. Credit Notes (original) of GSTR 1

Analysis

As per Section 34(1) of the CGST Act, where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the Registered Person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed.

Section 34(2) of the CGST Act provides that any Registered Person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in the manner prescribed.

Illustration

Mr. A made two exports in the month of September 2017, one to China against LUT without charging any tax of INR 10.00 lacs and another to USA after charging IGST @ 18% of Rs. 25.00 lacs. Later on, he issued a credit note of Rs. 50,000/- in January 2018 to both the parties on account of price variance. Credit note to China party was issued under LUT whereas credit note to U.S.A. party was issued with tax @18% to reverse output liability. Both these credit notes were reported by him in Table 9B of GSTR 1. However, while filling up the GSTR 9, he has to report only the credit notes issued to China party i.e. without payment of tax.

Notes to consider

- (i) We have to keep in mind here that Table-9B of GSTR 1 also contains those credit notes in respect of exports or supplies to SEZ which were made on payment of taxes, therefore, the same are not to be reported here. Such credit notes are to be reported in Table-4I of GSTR 9.

- (ii) Financial credit notes are not to be included here.
- (iii) Credit notes declared in the financial year 2018-19 pertaining to supplies declared in the financial year 2017-18 shall not be declared here. Such credit notes are to be declared in Part V of GSTR 9 where supplies/ amendments are to be declared net of credit notes

Additional notes to consider

- (i) Credit notes issued in respect of exports, supplies to SEZ, supplies on which tax is to be paid by the recipient on RCM, exempted, nil rated, and non-GST supply shall be declared here.
- (ii) Credit notes should be in terms of the provisions of Section 34.

Checklist of documents to be verified

To verify all documents related to amendment in tax invoice like credit notes, tax invoice against which credit note is issued, correspondence with the recipient (if any).

Issues

According to Section 34 credit notes are to be issued against tax invoice which means that credit notes can be issued in case of export or supplies made to SEZ without payment of tax. The issue arises whether credit notes can be issued in cases where value in bill of supply exceeds the value of exempted supplies? If no, then how can this be done?

Sl. No. 5I: Debit Notes issued in respect of transactions specified in A to F above (+)

5I	Debit Notes issued in respect of transactions specified in A to F above (+)					
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Table No.	Instructions
5I	Aggregate value of debit notes issued in respect of supplies declared in 5A, 5B, 5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.

Introduction

Aggregate value of debit notes issued in respect of supplies declared in Table 5A, 5B, 5C, 5D, 5E and 5F.

This information has to be derived from Table-9B i.e. Debit Notes (original) of GSTR 1

Analysis

As per Section 34(3) of the CGST Act, where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the Registered Person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing such particulars as may be prescribed.

Section 34(4) of the CGST Act provides that any Registered Person who issues a debit note for the supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in the manner prescribed.

Illustration

Mr. A made two exports in the month of September 2017, one to China against LUT without charging any tax of Rs. 10.00 lacs and another to USA after charging IGST @ 18% of Rs. 25.00 lacs. Later on, he issued a debit note of Rs. 50,000/- in January 2018 to both the parties on account of price variance. Debit note to China party was issued under LUT whereas debit note to U.S.A. party was issued with tax @18% to increase the output liability. Both these debit notes were reported by him in Table-9B of GSTR 1. However, while filling up the GSTR 9, he has to report only the debit notes issued to China party, i.e., without payment of tax.

Notes to consider

- (i) We have to keep in mind that Table-9B of GSTR 1 also contains those debit notes in respect of exports or supplies to SEZ which were made on payment of taxes, therefore, not to be reported here. Such debit notes are to be reported in Table-4J of GSTR 9.
- (ii) Financial debit notes are not to be included here.
- (iii) Debit notes declared in the financial year 2018-19 pertaining to supplies declared in the financial year 2017-18 shall not be declared here. Such debit notes are to be declared in Part V of GSTR 9 where supplies/ amendments are to be declared net of debit notes.

Additional notes to consider

- (i) Debit notes issued in respect of exports, supplies to SEZ, supplies on which tax is to be paid by the recipient on RCM, exempted, nil-rated and non-GST supply shall be declared here.
- (ii) Debit notes should be as per the provisions of Section 34.

Checklist of documents to be verified

To verify all documents related to amendment in tax invoice, like debit notes, tax invoice against which debit note is issued, and correspondence with the recipient (if any).

Issue

On reading Section 34 it can be inferred that debit notes are to be issued against tax invoice which means that debit notes can be issued in case of export or supplies made to SEZ without payment of tax. The issue that needs to be answered is whether debit notes can be issued in cases where value in bill of supply is less than the value of exempted supplies? If no, then what should be done ?

Sl. No. 5J: Supplies declared through Amendments

5J	Supplies declared through Amendments (+)					
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Table No.	Instructions
5J & 5K	Details of amendments made to exports (except supplies to SEZs) and supplies to SEZs on which tax has not been paid shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.

Introduction

Details of amendments made to exports and supplies to SEZs on which tax has not been paid shall be declared here.

This information has to be derived from Table-9A i.e. Amended Export and SEZ invoices and Table 9C i.e. Amended Credit/ Debit Notes of GSTR 1

Analysis

As per Section 39(9), subject to the provisions of Sections 37 and 38, if any Registered Person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or subsection (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, subject to payment of interest under this Act

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.

Currently no revision of returns is possible. Only errors can be rectified in the return for the month in which such errors are noticed.

Illustration

Mr. A made supplies worth Rs. 5 lakhs to SEZ unit in the month of August 2017. While filing details in GSTR 1, his accountant made a typographical error and entered the invoice value of Rs. 4 lakhs in Table-6B of GSTR 1. Mr. A noticed this mistake in the month of November 2017 and corrected the invoice value in Table-9A of GSTR 1 for the month of November. Details of these amendments are to be reported in this Table.

Notes to consider

- (i) Supplies not accounted for in GSTR 1 shall not be declared in the amendment Table.
- (ii) Amendments declared in April 2018 to September 2018 pertaining to invoices issued in financial year 2017-18 shall not be declared here. Such amendments are to be declared in Part V of GSTR 9.

Additional notes to consider

- (i) It includes only those amendments which have the effect of increasing the value of supplies.
- (ii) Only amendments declared in returns from August 2017 to March 2018 shall be declared here.
- (iii) Amendment of invoices is possible only if they have already been entered in GSTR 1.

Issues

- (i) There is no amendment Table in GSTR 1 for exempted, nil rated and non-taxable supplies. If there is any inadvertent error in declaring the exempted turnover in GSTR 1 can it be amended in GSTR 9?
- (ii) What is to be done if exempt supply is wrongly declared as nil rated supply or non-taxable supply or vice-versa. There is no amendment Table for such supplies. Can it be corrected in GSTR 9?

Sl. No. 5K: Supplies reduced through Amendments

5K	Supplies reduced through Amendments (-)					
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Introduction

Details of amendments made to exports and supplies to SEZs on which tax has not been paid shall be declared here.

This information has to be derived from Table-9A i.e. Amended Export and SEZ invoices and Table-9C i.e. Amended Credit/ Debit Notes of GSTR 1

Analysis

As per Section 39(9), subject to the provisions of sections 37 and 38, if any Registered Person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) or subsection (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, subject to payment of interest under this Act

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.

Currently no revision of returns is possible. Only errors can be rectified in the return for the month in which these are noticed.

Illustration

Mr. A made supplies worth Rs.5 lakhs to SEZ unit in the month of August 2017. While filing details in GSTR 1, his accountant made a typographical error and entered the invoice value of Rs. 6 lakhs in Table-6B of GSTR 1. Mr. A noticed this mistake in the month of November 2017 and corrected the invoice value in Table 9A of GSTR 1 for the month of November. Details of these amendments are to be reported in this Table.

Notes to consider

- (i) Amendments declared in April 2018 to September 2018 pertaining to invoices issued in the financial year 2017-18 shall not be declared here. Such amendments are to be declared in Part V of GSTR 9.

Additional notes to consider

- (i) It includes only those amendments which have the effect of decreasing the value of supplies.
- (ii) Only amendments declared in returns from August 2017 to March 2018 shall be declared here.
- (iii) Amendment of invoices is possible only if they have already been entered in GSTR 1.

Issues

- (i) There is no amendment Table in GSTR 1 for exempted, nil rated and non-taxable

supplies. If there is any inadvertent error in declaring the exempted turnover in GSTR 1 can it be amended in GSTR 9?

- (ii) What is to be done in cases where exempt supply is wrongly declared as nil rated supply or non-taxable supplies or *vice-versa*. There is no amendment Table for such supplies. Can it be corrected in GSTR 9?

Sl. No. 5L: Sub-Total (H to K above)

5L	Sub-Total (H to K above)					
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The total of this Table may be auto calculated and would contain the sum total of amendments made to the outward supplies on which tax is not payable either through credit and debit notes or through amendment Table declared during the financial year 2017-18. However, it is to be noted here that amendment made in the financial year 2018-19 to invoices pertaining to the financial year 2017-18 shall not be declared here. There is a separate part, part V, in GSTR 9 for capturing this information.

Sl. No. 5M: Turnover on which tax is not to be paid (G + L above)

5M	Turnover on which tax is not to be paid (G + L above)					
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The total of this Table may be auto calculated and contains the total turnover of the outward supplies on which tax is not paid by the taxpayer during the financial year 2017-18. It is the sum total of outward supplies on which tax is not payable after giving effect to amendments through credit and debit notes or through amendment Table declared in any subsequent return in the financial year 2017-18.

Sl. No. 5N: Total Turnover (including advances) (4N + 5M - 4G above)

5N	Total Turnover (including advances) (4N + 5M - 4G above)					
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Table No.	Instructions
5N	Total turnover including the sum of all the supplies (with additional supplies and amendments) on which tax is payable and tax is not payable shall be declared here. This shall also include amount of advances on which tax is paid but invoices have not been issued in the current year. However, this shall not include the aggregate value of inward supplies on which tax is paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis.

Introduction

- (i) Total turnover including the sum of all the supplies (with additional supplies and amendments) on which tax is payable and tax is not payable shall be declared here.
- (ii) This shall also include the amount of advance on which tax is paid but invoices have not been issued in the current year.
- (iii) However, this Table shall not include the aggregate value of inward supplies on which tax is paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis.

Notes to consider

This is not turnover as per the books of accounts. It is turnover as per the valuation rules of the GST. It may include the value of expenses like packing charges, transportation charges etc. if they are charged in the invoice [Section 15(2) of the CGST Act]

Additional notes to consider

- (i) It may include the value of supply without consideration, that is, supplies specified in Schedule I such as-
 - 1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
 - 2. Supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business:

Gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
 - 3. Supply of goods—
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
 - 4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.
- (ii) The supply may be taxable or exempt supply. Accordingly, the value of such supplies shall be reported in appropriate Table-4 or Table-5 of GSTR 9.

Part III

Table 6⁵

Sl. No. 6A. Total amount of input tax credit availed through GSTR 3B (sum total of Table 4A of GSTR 3B)

6A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)	<Auto>	<Auto>	<Auto>	<Auto>
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Table No.	Instructions
6A	Total input tax credit availed in Table 4A of FORM GSTR-3B for the taxpayer would be auto-populated here.

Introduction

Table 6A of GSTR 9 contains the details of ITC availed in GSTR 3B during the financial year. The purpose of this clause is to aggregate the quantum of Input tax credit availed by the Registered Person on import of goods, import of services, Inward Supplies liable to reverse charge, tax credit received from the Input service distributors and any other ITC availed on regular inward supplies.

Analysis

➤ Source of information

Total amount of Input tax credit availed in Table 4A of GSTR 3B for the taxpayer would be auto populated in the Form. GSTR 3B is a monthly Form which has to be filed by all the taxpayers except by the ISD, Composition tax payer, Supplier of OIDAR, and Non-resident taxable person. Therefore, all the information filed by the Registered Person for all the months would get auto populated in Table 6A.

➤ Validation of information

This column shall include information of the total ITC availed in Table 4A of GSTR 3B. Table 4A of GSTR 3B has the following information in it:

- Import of goods,
- Import of services,
- Inward supplies on reverse charge (other than on import of goods and services reported above)

⁵ Clarification sought from the Government.

- Inward supplies from your Input service distributor (ISD) basically your other office registered as an ISD under GST
- All other ITC availed on regular inward supply

➤ Revision required

The column is auto populated from the returns filed during the year and thus, cannot be revised.

Sl. No. 6B. Inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs)

6B	Inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs)	Inputs				
		Capital Goods				
		Input Services				
Table No.	Instructions					
6B	Aggregate value of input tax credit availed on all inward supplies except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details. This shall not include ITC which was availed, reversed and then reclaimed in the ITC ledger. This is to be declared separately under 6(H) below.					

Introduction

Table 6B of GSTR 9 contains the details of ITC availed on inputs, input services and capital goods availed by a Registered Person during the financial year. Unlike the details in table 6A, details in this Table have to be entered manually.

Analysis

➤ Source of information

In this Table, the Registered Person has to report the aggregate value of input tax credit availed on all inward supplies except:

- those on which tax is payable on reverse charge basis but includes supply of services received from SEZs (as SEZ unit would raise a tax invoice for services supplied). It is important to note that the supply of goods from SEZ shall not be included as no tax invoice is raised by SEZ for such supply.

- Input tax credit which was availed, reversed and subsequently reclaimed in the ITC ledger. For illustration, credits which are reversed on account of non-payment to vendor within one hundred and eighty days as required under second proviso to Section 16(2). When payment is made, the Registered Person is eligible to reclaim the credit. Such credit is to be reported in Column 6H of GSTR 9.

Such values can be taken from the input tax register maintained by the Registered Person for input tax credit. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Further, only the tax components are disclosed in Table 6 of GSTR 9. The value of inward supplies is not disclosed.

It is relevant to note that if the Registered Person has disclosed gross total ITC [including ineligible ITC u/s 17(5)] in Table 4A of GSTR 3B and reduced the ineligible ITC in Table 4B (2) of GSTR 3B, then he should disclose the gross total ITC [including ineligible ITC u/s 17(5)] in Table 6B of GSTR 9. The ineligible ITC u/s 17(5) would be disclosed in Table 7E of GSTR 9.

Where Registered Person has disclosed only the net ITC in Table 4A GSTR 3B, he has to disclose the same in Table 6A of GSTR 9.

➤ Validation of information

This Table should include information from total ITC availed in Table 4A (5) of GSTR 3B where information for all other ITC is to be filled. However, it is to be noted that the total of Table 4A (5) of GSTR 3B need not be equal to data reported in Table 6B of GSTR 9. This is for the reason that Table 4A (5) of GSTR 3B would contain all other ITC for which no specific column is provided GSTR 3B.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: Rs. 4,00,000
- (c) Input tax credit on purchase of capital goods: Rs. 5,00,000
- (d) Input tax credit on import of goods as per bill of entries: Rs. 250,000
- (e) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (f) Input tax Credit available against self-invoice for payment made to GTA: Rs. 20,000

Ans. The reporting of the following transactions shall be made in this column:

- Input tax credit on purchase of inputs: Rs. 3,00,000
- Input tax credit on purchase of input services: Rs. 4,00,000
- Input tax credit on purchase of capital goods: Rs. 5,00,000
- Credit notes in respect of purchases made in July 2017: Rs. 50,000. This value shall be subtracted from the available input tax credit as availed during the month.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- In case of any difference between the input tax credit as reflected in books of accounts and the GST returns, ensure that all entries are properly recorded in the books of accounts and also that they are not booked inclusive of taxes.
- Only ITC availed in GSTR 3B for the period July 2017 to March 2018 has to be disclosed in this Table. ITC relating to 2017-18 availed in subsequent GSTR 3B should not be disclosed in this Table. Such data would be disclosed in Table 8C of GSTR 9.

Conclusion

Therefore, 6B of GSTR 9 contains input tax credit availed on tax invoices and debit notes (forward charge) pertaining to 2017-18 that is declared in GSTR 3B furnished for the financial year 2017-18.

Sl. No. 6C. Inward supplies received from un-registered Persons liable to reverse charge (other than B above) on which tax is paid and ITC availed

6C	Inward supplies received from unregistered persons liable to reverse charge (other than B above) on which tax is paid & ITC availed	Inputs				
		Capital Goods				
		Input Services				

Table No.	Instructions
6C	Aggregate value of input tax credit availed on all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(3) of FORM GSTR-3B may be used for filling up these details.

Introduction

Table 6C of GSTR 9 contains the aggregate value of input tax credit availed on all inward supplies received from an unregistered person (other than import of services) on which tax is payable on reverse charge basis. Tax paid on supplies received from an unregistered person and on which input tax credit has not been availed, would not be reported under this clause.

Analysis

➤ Source of information

In this Table, the taxable person should report aggregate value of input tax credit availed on all inward supplies (of input, input services and capital goods) as received from an unregistered Person on which he was liable to pay tax under reverse charge. It is relevant to note that this table would contain inward supplies liable to reverse charge under section 9(3) and 9(4) of CGST Act. N/N 38/2017 – CT(R) dated Oct 13, 2017 was issued by the Government to provide exemption from payment of tax under reverse charge for supplies received from unregistered Persons. Therefore, clause 6C of GSTR 9 would contain data relating to inward supplies received from unregistered Persons liable to GST u/s 9(4) from Jul 1, 2017 to Oct 12, 2017 only (note the exclusion of date of notification as per section 5 of General Clauses Act).

➤ Validation of information

This Table shall include information from total ITC availed in Table 4A (3) of GSTR 3B and filed for the period from July 2017 to March 2018. It is important to note that column of 4A (3) of GSTR 3B contains tax paid under reverse charge u/s section 9(3) and section 9(4). However, under Table clause 6C, only tax paid under reverse charge u/s 9(3) and 9(4) on supplies procured from an unregistered Persons shall be disclosed.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: Rs. 4,00,000
- (c) Input tax credit on purchase of capital goods: 5,00,000
- (d) Input tax credit on purchase from unregistered supplier: Rs. 10,000

- (e) Input tax credit on import of goods as per bill of entries: Rs. 250,000
- (f) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (g) Input tax Credit available for payment made to a registered GTA: Rs. 20,000

Ans. The reporting of the following transactions shall be made in this column:

- Input tax credit on purchase from unregistered supplier: Rs. 10,000.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Data disclosed in Table 6C and 6D should not exceed the data disclosed in Table 4G of GSTR 9.
- Inward supplied liable to reverse charge received from Registered Persons should not be disclosed in this Table.
- GST paid on inward supplies liable to reverse charge which is not available as credit, should not be disclosed in this Table.
- GST paid on reverse charge on import of services should not be disclosed in this Table. It should be disclosed in Table 6F for GSTR 9.

Conclusion

Therefore, 6C of GSTR 9 contains input tax credit availed on all self-raised invoices on account of purchases made from unregistered suppliers pertaining to 2017-18 and which has been duly disclosed in GSTR 3B as filed for the said financial year.

Sl. No. 6D. Inward supplies received from Registered Persons liable to reverse charge (other than B above) on which tax is paid and ITC availed

6D	Inward supplies received from registered persons liable to reverse charge (other than B above) on which tax is paid and ITC availed	Inputs				
		Capital Goods				
		Input Services				

Introduction

Table 6D of GSTR 9 contains the aggregate value of input tax credit availed on all inward supplies received from Registered Persons (other than B above) on which tax is payable on reverse charge basis.

Analysis

➤ Source of information

In this Table, the taxable person should report aggregate value of input tax credit availed on all inward supplies (of input, input services and capital goods) as received from Registered Persons on which he was liable to pay tax under reverse charge as per section 9(3) of the CGST Act. The list of goods liable to GST under reverse charge u/s 9(3) is notified in N/N 4/2017-Central Tax (Rate), dated 28-6-2017. Further, in respect of services, the list of services has been notified in NN 13/2017- CT(R) dated Jun 28, 2017 tax and NN 10/2017- Int(R) dated Jun 28, 2017tax.

➤ Validation of information

This Table should include information from total ITC availed in Table 4A (3) of GSTR 3B and filed for the period from July 2017 to March 2018. However, only tax paid on supplies liable to reverse charge u/s 9(3) of CGST Act and which are obtained from Registered Persons would be disclosed in this Table.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following, which one of the following transactions shall be reported in this table.

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: Rs. 4,00,000
- (c) Input tax credit on purchase of capital goods: Rs. 5,00,000
- (d) Input tax credit on purchase from an unregistered supplier: Rs. 10,000
- (e) Input tax credit on import of goods as per bill of entries: Rs. 250,000
- (f) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (g) Input tax Credit on payment under reverse charge from registered GTA: Rs. 20,000

Ans. The following transactions shall be reported in this column:

Input tax Credit on payment under reverse charge from a registered GTA: Rs. 20,000.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Data disclosed in Table 6C and 6D should not exceed the data disclosed in Table 4G of GSTR 9.
- Inward supplies liable to reverse charge received from unregistered Persons should not be disclosed in this Table.
- GST paid on inward supplies liable to reverse charge which is not available as credit, should not be disclosed in this Table.
- GST paid on reverse charge on import of services should not be disclosed in this Table. It should be disclosed in Table 6F of GSTR 9.

Conclusion

Therefore, 6D of GSTR 9 contains input tax credit availed on all invoices and debit notes received from registered supplies on which liability to pay tax is under section 9(3) of the CGST Act.

Sl. No. 6E. Import of goods (including supplies from SEZs)

6E	Import of goods (including supplies from SEZs)	Inputs				
		Capital Goods				

Table No.	Instructions
6E	Details of input tax credit availed on import of goods including supply of goods received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs and capital goods. Table 4(A)(1) of FORM GSTR-3B may be used for filling up these details.

Introduction

Table 6E of GSTR 9 should contain the aggregate value of input tax credit availed on all imports including those made from SEZ units.

Analysis

- Source of information

In this Table, the taxable person should report aggregate value of input tax credit availed on all imports (for inputs and capital goods) from outside India or SEZ units. Such data can be sourced from the bill of entry or other similar document prescribed under the Customs Act, Customs Tariff Act or rules made thereunder for the assessment of Integrated tax on imports.

➤ Validation of information

Table 4A (1) of GSTR 3B may be used for filling up these details in this Table. This includes information of total ITC availed in Table 4A (1) of GSTR 3B and filed for the period from July 2017 to March 2018.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following, which one of the following transactions shall be reported in this table.

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: Rs. 4,00,000
- (c) Input tax credit on purchase of capital goods: Rs. 5,00,000
- (d) Input tax credit on purchase from an unregistered supplier: RS. 10,000
- (e) Input tax credit on import of goods as per bill of entries: Rs. 250,000
- (f) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (g) Input tax Credit available for payment made to a registered GTA: Rs. 20,000

Ans. The reporting of the following transactions shall be made in this column:

Input tax credit on import of goods as per bill of entries: Rs. 250,000.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Registered persons importing goods should make sure that the entire input tax credit on inputs or capital goods is availed in this column.
- Only the IGST paid on import of goods can be availed as ITC. BCD and Social Welfare Surcharge cannot be availed as ITC.
- Ensure that the GSTIN is updated in the ICEGATE and the GSTIN appears on the Bill of Entry.

Conclusion

Therefore, 6E of GSTR 9 contains input tax credit availed on all the bills of entries filed on goods imported during the period July 2017 to March 2018 which have been duly recorded and disclosed in GSTR 3B.

Sl. No. 6F. Import of services (excluding inward supplies from SEZs)

6F	Import of services (excluding inward supplies from SEZs)				
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Table No.	Instructions
6F	Details of input tax credit availed on import of services (excluding inward supplies from SEZs) shall be declared here. Table 4(A)(2) of FORM GSTR-

Introduction

Table 6F of GSTR 9 contains the aggregate value of input tax credit availed on all import of services where tax has been paid under reverse charge by the recipient of services.

Analysis

➤ Source of information

In this Table, the Registered Person should report aggregate value of input tax credit availed on all import services received from outside India. Data for this clause can be corroborated with the details in disclosed Notes to Accounts of Financial Statements. However, it is relevant to note that liability to pay GST on import of services arises only if conditions specified in Section 2(11) of the IGST Act are satisfied.

➤ Validation of information

Table 4A (2) of GSTR 3B may be used for filling up the data in his Table.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: Rs. 4,00,000
- (c) Input tax credit on purchase of capital goods: Rs. 5,00,000
- (d) Input tax credit on purchase from an unregistered supplier: Rs. 10,000
- (e) Input tax credit on import of goods as per the bill of entries: Rs. 250,000

- (f) Input tax credit of tax paid under reverse charge on import of services: Rs. 100,000
- (g) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (h) Input tax Credit available for payment made to a registered GTA: Rs. 20,000

Ans. The reporting of the following transactions shall be made in this column:

Input tax credit of tax paid under reverse charge on import of services: Rs. 100,000.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- In order to qualify as import of service, it is important that the place of supply of service as per Section 13 of the IGST Act should be within India.
- The rate of exchange for determining the value of taxable service should be the rate of exchange determined as per the generally accepted accounting principles as on the date of time of supply as per Section 13 of the CGST Act.

Conclusion

Therefore, 6F of GSTR 9 contains input tax credit availed on all the GST paid on import of services pertaining to 2017-18 which has been duly filed in GSTR 3B.

Sl. No. 6G. Input tax credit received from ISD

6G	Input Tax credit received from ISD				
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Table No.	Instructions
6G	Aggregate value of input tax credit received from input service distributor shall be declared here. Table 4(A)(4) of FORM GSTR-3B may be used for filling up these details.

Introduction

Table 6G of GSTR 9 contains the aggregate value of input tax credit availed on credits received from Input Service Distribution. Invoice or Input Service Distributor credit note, or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54.

Analysis

- Source of information

In this Table, the Registered Person should report aggregate value of input tax credit

availed on all invoices raised by ISD. The Registered Person should be in possession of invoice issued by ISD u/r 54(1) of CGST Rules. It is also relevant to note that the ineligible portion of ITC distributed should not be availed as ITC.

➤ Validation of information

Table 4A (4) of GSTR 3B may be used for filling up the data in this Table.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Illustration

The Input tax credit for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs: Rs. 3,00,000
- (b) Input tax credit on purchase of input services: RS. 4,00,000
- (c) Input tax credit on purchase of capital goods: Rs. 5,00,000
- (d) Input tax credit on purchase from an unregistered supplier: Rs. 10,000
- (e) Input tax credit on import of goods as per the bill of entries: Rs. 250,000
- (f) Input tax credit of tax paid under reverse charge on import of services: Rs. 100,000
- (g) Input tax Credit on invoice of ISD: Rs. 25,000
- (h) Credit notes in respect of purchases made in July 2017: Rs. 50,000
- (i) Input tax Credit available for payment made to a registered GTA: Rs. 20,000

Ans. The reporting of the following transactions shall be made in this column:

Input tax Credit on invoice of ISD: Rs. 25,000

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Tax invoices from other distinct persons which are received against supply should not be reported here.
- Ineligible portion of ITC distributed should not be disclosed in this Table.

Conclusion

Therefore, Table 6G of GSTR 9 should contain input tax credit availed on all ISD invoices pertaining to 2017-18 which has been duly disclosed in GSTR 3B.

Sl. No. 6H. Amount of ITC reclaimed (other than B above) under the provisions of the Act

6H	Amount of ITC reclaimed (other than B above) under the provisions of the Act				
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Table No.	Instructions
6H	Aggregate value of input tax credit availed, reversed and reclaimed under the provisions of the Act shall be declared here.

Introduction

Sl. No. 6H of GSTR 9 contains the aggregate value of input tax credit which was availed, reversed and reclaimed again during the same financial year by the Registered Person.

Analysis

➤ Source of information

In this Table, the Registered Person should report all input tax credit claimed, reversed and reclaimed by him during the period July 2017 to March 2018.

Illustration – ITC reversed on account of non-payment to a vendor within one hundred and eighty days. When payment is made, the Registered Person is eligible to reclaim the credit. Such credits are to be reported in Table 6H.

➤ Validation of information

ITC disclosed in Table 6B and 6H should be equal to the data disclosed in Table 4A (5) of GSTR 3B.

➤ Revision required

This Table should contain data which has been disclosed in GSTR 3B for the period July 2017 to March 2018. Therefore, there is no scope for revision / addition of data which is available in books of accounts but not disclosed in GSTR 3B.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

➤ ITC availed and reversed during 2017-18 and reclaimed in 2018-19 should not be disclosed in this Table.

Conclusion

Therefore, Sl. No. 6H of GSTR 9 contains input tax credit pertaining to 2017-18 which has been availed, reversed and reclaimed and duly disclosed in GSTR 3B as furnished for the said financial year.

Sl. No. 6I. Sub-total (B to H above)

I	Sub-total (B to H above)					
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This contains the aggregate of ITC availed on inward supplies including services received from SEZ, inward supplies received from an unregistered person liable to reverse charge, inward supplies received from a registered person liable to reverse charge, import of goods, import of service and ITC received from ISD.

Sl. No. 6J. Difference (I – A above)

6J	Difference (I - A above)				
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Table No.	Instructions
6J	The difference between the total amount of input tax credit availed through FORM GSTR-3B and input tax credit declared in row B to H shall be declared here. Ideally, this amount should be zero.

Introduction

This Table would contain the difference between the total net credit disclosed in GSTR 3B (Table 6A) and the details of credit disclosed in Table 6B to 6H.

Analysis

Ideally, the difference in Table 6J should be nil. This is for the reason that the amount disclosed in 6A is auto populated from GSTR 3B of July 2017 to March 2018. Further, the amount disclosed in Table 6B to 6H is merely the classification of ITC availed in GSTR 3B.

Sl. No. 6K. Amount of ITC through TRAN – 1

6K	Transition Credit through TRAN-I (including revisions if any)				
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Table No.	Instructions
6K	Details of transition credit received in the electronic credit ledger on filing of FORM GST TRAN-I including revision of TRAN-I (whether upwards or downwards), if any shall be declared here.

Introduction

Table 6K of GSTR 9 contains the aggregate value of input tax credit availed by the Registered Person through TRAN-1. The credits availed through Form TRAN-1 are credited directly into the Electronic credit ledger of the Registered Person.

Analysis

➤ Source of information

In 6K, the Registered Person should report the amount of credit received in the electronic credit ledger through FORM GST TRAN-I. Where the registered tax payer has revised GST TRAN-1, the credit claimed in the revised TRAN-1 should be disclosed in this Table.

In respect of Registered Persons who were not to file the Transition returns due to IT related glitches, the Government vide Circular No. 39/13/2018-GST dated Apr 3, 2018 has specifically allowed such taxpayers to file the returns till Jan 31, 2019 (Order No. 4/2018-GST dated 17.09.2018). In respect of such persons, no data would be disclosed in Sl. No. 6K of GSTR 9.

Sl. No. 6L Transition Credit through TRAN – II

6L	Transition Credit through TRAN-II				
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Table No.	Instructions
6L	Details of transition credit received in the electronic credit ledger after filing of FORM GST TRAN-II shall be declared here.

Introduction

Sl. No. 6L of GSTR 9 contains the aggregate value of input tax credit was availed by the Registered Person through TRAN-II. The credits availed through Form TRAN-II are credited directly into the Electronic credit ledger of the Registered Person.

Analysis

➤ Source of information

- In 6L, the Registered Person should disclose the quantum of ITC received in the electronic credit ledger through FORM GST TRAN-II. Where the Registered Person has filed TRAN-II after March 2018, the amount of such credit should not be disclosed in Sl. No. 6L of GSTR 9. This is because the credit through TRAN-II would have been credited to electronic credit ledger in the month in which TRAN-II was filed.

Sl. No. 6M. Any other ITC availed but not specified above

M	Any other ITC availed but not specified above				
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Introduction

Sl. No. 6M of GSTR 9 contains details of the ITC availed but not covered under any of the heads specified under 6B to 6L above. In such a situation the registered person is required to disclose any other ITC availed in table 6M.

Illustrative Situations:

1. Credit availed under section 18(1)(a) to 18(1)(d) of the CGST Act, 2017 it to be disclosed in table 6M
2. Credit availed under section 18(3) read with Rule 41(1) of CGST Rules, 2017 on account of sale, merger, demerger, amalgamation, lease or transfer of a business is to be disclosed in table 6M

Analysis

- Source of information
- In 6M, the Registered Person should disclose the quantum of ITC received in the electronic credit ledger through FORM GST ITC-01 and FORM GST ITC-02, the amount of ITC should not be disclosed in Sl. No. 6L of GSTR 9. This is because the credit through ITC-01/ITC-02 would have been credited to electronic credit ledger in the month in which ITC-01/ITC-02 was filed.

Sl. No. 6N. Sub-Total (6K to 6M above)

N	Sub-total (K to M above)					
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This contains the total of all the ITC availed through TRAN-I, TRAN-II and any other ITC availed during the relevant financial year.

Sl. No. 6O. Total ITC availed (I+N above)

O	Total ITC availed (I + N above)					
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Table No.	Instructions
6O	Total ITC availed as per GSTR-3B and other ITC credited directly to electronic credit ledger by filing TRAN-I, TRAN-II, ITC-01 and ITC-02.

Table – 7 Details of ITC Reversed and Ineligible ITC as declared in returns filed during the financial year

Introduction

Sl. No. 7A Reversal under Rule 37

7A	As per Rule 37				
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Table No.	Instructions
7A, 7B, 7C, 7D, 7E, 7F, 7G 7H and	Details of input tax credit reversed due to ineligibility or reversals required under Rule 37, 39,42 and 43 of the CGST Rules, 2017 shall be declared here. This column should also contain details of any input tax credit reversed under section 17(5) of the CGST Act, 2017 and details of ineligible transition credit claimed under FORM GST TRAN-I or FORM GST TRAN-II and then subsequently reversed. Table 4(B) of FORM GSTR-3B may be used for filling up these details. Any ITC reversed through FORM ITC -03 shall be declared in 7H.

Introduction

As per the second proviso to Section 16(2) that if the Registered Person fails to pay to the supplier of goods or services or both except in case tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner.

Analysis

Rule 37 of the CGST Rules prescribes that credit is to be reversed in proportion to the unpaid amount in GSTR 2 for the month immediately following the period of one hundred and eighty days from the date of issue of the invoice.

To the extent specified, the following are not to be considered for reversal

- Supplies made without consideration as specified in Schedule I.
- Value of supplies on account of any amount added in accordance with the provisions of clause (b) of sub-section (2) of section 15.

In both the situations mentioned above, reversal of credit under the second proviso to Section 16(2) would not be applicable.

The amount of input tax credit reversed as per this provision shall be added to the output tax liability of the Registered Person for the month in which the details are furnished.

The Registered Person shall be liable to pay interest at the rate notified under sub-section (1) of Section 50 for the period starting from the date of availing credit on such supplies till the date when the amount is added to the output tax liability. Some experts hold the view that interest is not payable until credit is utilized as interest arises under Section 50(1) only when 'tax remains unpaid' and no tax is unpaid merely by availing credit which may be doubtful. Suitable disclosure may be made whether interest is paid on such reversal or not.

The time limit of 180 days from the date of invoice shall not apply to a claim for re-availing of such credit. It is important to make a clear distinction in books of accounts within the current asset accounts between 'credit available' and 'credit deferred'.

Sl. No. 7B Reversal under Rule 39

7B	As per Rule 39				
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Introduction

Rule 39 deals with the procedure for distribution of input tax credit (ITC) by Input Service Distributor (ISD). ISD is required to distribute ITC in the manner prescribed in the sub rule 39 (1). The ISD shall as per rules 39(1)(d), separately distribute the amount of ineligible input tax credit as per section 17(5) of the CGST Act (ineligible under the provisions of sub-section (5) of Section 17 or otherwise). Amounts to be shown under 7B would be on the basis of the Input Service Distributor credit note issued by Input Service Distributor, as prescribed in sub-rule (1) of Rule 54, to reduce the credit issued by the ISD already for any reason. If any supplier gives credit note to the ISD then input tax credit is required to be reduced and shall be apportioned to each recipient in the same ratio in which the input tax credit contained in the original invoice was distributed in terms of clause (d).

Analysis

- Source of information

Information is required to be mentioned from the sum total of all the GSTR 3B part 4B (2).

- Validation for Sl. No. 7B
 1. The said information has to be verified from the GSTR 3B for the period July 2017 to March 2018.
 2. Verification of ISD credit notes issued under rule 54(1) of the CGST Rules.
 3. Contra Ledger of ISD is required to be matched for the verification of reversal on account of credit note issued by ISD.
- Revision Required

As any supplier gives credit note to the ISD then input tax credit required to be reduced shall be apportioned to each recipient in the same ratio in which the input tax credit contained in the original invoice was distributed by the ISD.

- The amount so apportioned shall be reduced from the amount to be distributed in the month in which the credit note is included in the return in GSTR 6 but due to GSTR 6 due date is extended if not filed by the ISD the same should be added to the output tax liability or where the amount so apportioned is in the negative by virtue of the amount of credit under distribution being less than the amount to be adjusted.

- If the amount of input tax credit distributed by an Input Service Distributor is reduced later on for any other reason for any of the recipients, then credit note under Rule 54(1) is required to be issued by the ISD and credit is to be reduced.

Notes to consider

- There might be a situation when ISD has availed the ITC and distributed the same to the recipient after that the supplier has issued credit note to the ISD.
- ISD may issue ISD invoice to the recipient in excess of the eligible proportion.
- Since ISD is not required to get the accounts audited it might be possible that ineligible credit may be distributed inadvertently, which may be availed by the recipient though the same is blocked credit.

Sl. No. 7C: As per Rule 42 (Reversal of input tax credit for Inputs and Input services)

7C	As per Rule 42				
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Introduction

Input tax credit already availed may be reversed due to multiple reasons. Information to be reported in Table 7 must be derived from Table -4(B) of GSTR 3B which the Registered Person has already reported before filling GSTR 9.

Rule 42 of the CGST Rules describe the manner of determination of input tax credit in respect of inputs or input services and reversal thereof. The same provision for capital goods is covered in Rule 43. A registered person is eligible to avail input tax credit as per Section 16(1) after complying with requirements prescribed in section 16(2).

On valid availment of input tax credit, the same is to be tested on the basis of usage of such credit whether the same is used for the purpose of business or other than business as per section 17(1). Further, the same is also being tested based on usage of such credit to effect taxable supply or exempt supply as per section 17(2). Accordingly, only valid credit would be available, and ITC used for non-business purpose or effecting exempt supply to reverse.

Analysis

- Source of Information for entire Table-7

As discussed, the reporting requirement in this Table must be derived from return already filled which is GSTR 3B. Input tax credit reversal as reported in Table 4(B) of GSTR 3B may be used for reporting information. Screenshot of the reporting requirement in GSTR 3B is reproduced below.

4. Eligible ITC Help ?				
(B) ITC Reversed				
(1) As per Rule 42 & 43 of CGST/SGST rules	₹0.00	₹0.00	₹0.00	₹0.00

➤ Validation of Information

One should report Input tax credit reversal pertaining to the credit availed during financial year 2017-18 and reported in GSTR 3B filled for the period July-17 to March 18 as credit reversal in part 4B (1) of GSTR 3B. But credit reversal reporting requirement in GSTR 3B is consolidated for Input, Input services and capital goods. Reporting requirement in Table 7C of GSTR 9 requires reversal of Input and input service credit and reversal of capital goods credit in Table 7D. Bifurcation of these amounts reported in Table 4(B)(1) would help the tax payer to identify the amount to be reported in Table 7C and Table 7D.

At the time of validation if it is found that input tax credit left to be reversed in GSTR 3B filed for the financial year 2017-18 and reported in GSTR 3B filed for financial year 2018-19, would be reported in Table-12 of GSTR 9.

After verification if it is found that ITC is not reversed in any returns then DRC-03 is required to be filed for the said reversal.

➤ Revision required

A Registered person may have reversed the input tax credit as below:

Situation	Reporting requirement in Table of GSTR 9
ITC Reversed in 2017-18	Table 9C (for input and input service) and Table-9D (for capital goods)
ITC Reversed by mistake and also re-availed in 2017-18	ITC Reversal in Table 7C (for input and input service) and Table 7D (for capital goods) and re-availed ITC would be auto populated in Table 6A
ITC Reversed in 2018-19	Table 12
ITC Reversed by mistake and also re-availed that ITC in 2018-19	ITC Reversed in Table 12 and re-availed ITC in Table 13.

Working of Rule 42

Provision of Rule 42 requires the Registered Person to calculate ITC reversal in two situations.

1. Use of credit for business purpose or for non-business purpose
2. Use of credit for effecting taxable supply or exempt supply

Detailed steps have been provided in Rule 42 to calculate eligible ITC and ITC to be reversed, which are given below -

- ITC of Input and Input service used exclusively for business purpose or effecting taxable supply would be available fully. Zero rated supply would also be considered as taxable supply.
- If ITC of Input and Input service is used exclusively for non-business purpose or for effecting exempt supply only then the same would not be available.
- ITC of Input and Input service claimed but is blocked credit as per section 17(5) would not be available.
- ITC of Input and Input service left after the distinction made above would be called common credit.
- As per Rule 42, common credit attributable to exempt supply shall be based on the proportion of total turnover to exempt turnover. Such common credit attributable to exempt supply shall get reduced to that extent.
- Credit attributable to non-business purpose as per rule would be 5% of common credit. This amount would also get reduced from common credit.
- Balance common credit available can be claimed by the Registered Person as eligible ITC.
- Credit reversal which shall be shown in Table-4(B)(1) of GSTR 3B and Table 7C of GSTR 9 would be:
 - o ITC of Input and input service which has been used for non-business purpose exclusively,
 - o ITC of Input and input service which has been used for effecting exempt supply exclusively,
 - o Common ITC which has been used for a non-business purpose,
 - o Common ITC which has been used for effecting exempt supply.

This exercise required filing GSTR 3B at every tax period and yearly reconciliation would be required to ascertain if any additional reversal is required or not.

Illustration

XYZ Ltd. is having an aggregate turnover of Rs. 13 lakhs for a particular month consisting of taxable supply of Rs.10 lakhs and exempt supply of Rs. 3 lakhs. It has availed input tax credit of input and input services as follows:

- (i) ITC availed of Rs. 3 lakhs exclusively for effecting taxable supply
- (ii) ITC availed of Rs. 1.5 lakhs exclusively for effecting exempt supply
- (iii) ITC availed of Rs. 1.75 lakhs exclusively for used for non-business

- (iv) ITC of Rs. 0.25 lakhs for purchase of a motor vehicle
- (v) ITC of Rs. 2.5 lakhs which cannot be segregated whether used in taxable or exempt supply.

In this case if XYZ Ltd has availed total credit of Rs. 9 lakhs, then reversal required is as follows:

Rs.1.5 lakhs –used for effecting exempt supply

Rs. 1.75 lakhs - used for non-business purpose

Rs. 0.25 lakhs –blocked credit

Rs. 3 lakhs ITC exclusively used for effecting taxable supply would be fully available.

Now balance credit of Rs. 2.5 lakhs out of Rs. 9 Lakhs which is common credit shall be reversed based on the ratio of exempt to aggregate turnover which is 25% (3 lakhs / 12 lakhs). Reversal of common credit comes to Rs. 0.625 lakhs (25% of 2.5 lakhs) is to be added in reversal of common credit list and balance common credit Rs.1.875 lakhs (2.5 lakhs – 0.625 lakhs) would be available.

Notes to consider

- *Most common error that may be made by a Registered Person is wrong classification of supply into taxable and exempt supply. The scope of exempt supply is wider enough to cover non-taxable supply along with exempt supply on which the supplier is not liable to pay tax. Other income lying in Profit and Loss Account may contain some income which is exempt and accordingly ITC reversal calculation is required at every tax period.*
- *Please note that interest income is also exempt income but for reversal requirement under this rule, the same would not be considered as exempt income as per the amendment to Explanation in Rule 43 vide NN 3/2018-CT dated Jan 23, 2018. But, until Jan 22, 2018, interest would continue to be regarded as exempt supply for purposes of calculating reversal of common credits.*
- *Only if ITC is availed then reversal would be required. E.g. a Registered Person may not have claimed ineligible ITC as reported in GSTR 3B then the same would not be required to be reversed in this calculation. The same is required to be reversed only if it is included as All Other ITC in GSTR 3B.*

Additional notes to consider

- *Reporting required to be made is only whatever is reported in GSTR 3B.*
- *Even though input tax credit reversal as per the above calculation and reversal of input tax credit made by a Registered Person does not match then also as far as Table-7C is concerned, only ITC reversal declared in return is to be reported.*

- The tax payer should bifurcate ITC reversal on input, input services and capital goods and report them in appropriate Tables.
- Reversal is required for each tax period and at the end of the year consolidated calculation for the year is also required and the differential ITC to be reversed / re-availed as the case may be.

Conclusion:

Sl. Nos. 7A to 7H pertain to the reversal of ITC due to ineligibility or reversals required under Rules 37, 39, 42 and 43 of the CGST Rules and section 17(5) of CGST Act, transitional credit as per TRAN1 and TRAN 2. It is important to review the same with books of accounts. As all the amounts are required to be filled in from the GSTR 3B filed for the period July 2017 to March 2018, it might be possible that the reversals is not made as per the provisions of law and required to be reported in GSTR 9. By filling Table 7 the Registered Person would be able to know the correct consolidated amounts of reversal made or required to be made.

Sl. No. 7D: As per Rule 43 (Reversal of input tax credit for capital goods)

7D	As per Rule 43				
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Introduction

Input tax credit already availed may be reversed due to multiple reasons. Information to be reported in Table 7 shall be derived from Table 4(B) of GSTR 3B which the Registered Person has already reported before filling GSTR 9.

We have discussed provisions required for calculating ITC and reversal thereof for input and input services as per Rule 42. The procedure for calculating input tax credit and reversal of capital goods is provided in Rule 43.

Analysis

- The source of Information for the entire Table-7

As discussed, reporting requirement in this Table must be derived from the return already filed which is GSTR 3B. Input tax credit reversal as reported in 4(B) of GSTR 3B may be used for reporting information. Screenshot of the reporting requirement in GSTR 3B is reproduced below.

4. Eligible ITC Help ?				
(B) ITC Reversed				
(1) As per Rule 42 & 43 of CGST/SGST rules	₹0.00	₹0.00	₹0.00	₹0.00

- Validation of Information

One should report input tax credit reversal pertaining to the credit availed during the

financial year 2017-18 and reported in GSTR 3B filed for the period July-17 to March 18 as credit reversal in Part 4B (1). But credit reversal reporting requirement in GSTR 3B is consolidated for Input, input service and capital goods. Reporting requirement in 7D of GSTR 9 requires reversal of Capital goods credit. Bifurcation of these amounts reported in Table-4(B)(1) would help the tax payer to identify amounts to be reported in 7C and 7D.

At the time of validation if it is found that input tax credit left to be reversed in GSTR 3B filed during the financial year 2017-18 and reported in GSTR 3B filed during financial year 2018-19, then it would be reported in Table 12 of GSTR 9.

After verification if it is found that ITC is not reversed in any returns then DRC-03 is required to be filed for the said reversal.

➤ **Revision required**

The Registered person may have reversed the input tax credit in the manner given below:

Situation	Reporting requirement in Table of GSTR 9
ITC Reversed in 2017-18	Table 79C (for input and Input service) and Table 7D (for capital goods)
ITC Reversed by mistake and also re-availed that ITC in 2017-18	ITC reversal in Table 7C (for input and input services) and Table 7D (for capital goods) and re-availed ITC would be auto populated in Table 6A
ITC Reversed in 2018-19	Table 12
ITC Reversed by mistake and also re-availed in 2018-19	ITC reversed in Table 12 and re-availed ITC in Table-13.

Working of Rule-43

Rule 43 requires the Registered Person to calculate ITC reversal in two situations:

1. Use of input tax credit of capital goods for business purpose or for non-business purpose and
2. Use of input tax credit of capital goods for effecting taxable supply or exempt supply

Detailed steps have been provided in Rule 43 for calculating eligible ITC and ITC to be reversed, brief thereof are as under -

- ITC of capital goods used exclusively for business purpose or effecting taxable supply would be available fully. Zero rated supply would also be considered as taxable supply only.

- If ITC of capital goods is used exclusively for non-business purpose or for effecting exempt supply then the same would not be available.
- Where the use of capital goods is interchanged between the two cases given above, then the credit relatable to capital goods already used for non-creditable purposes would be derived and then subjected to the 60-month deferment as per this rule.
- ITC of capital goods claimed but which are blocked credit as per section 17(5) would not be available.
- ITC of capital goods left after the above distinction would be called common credit.
- Life of capital goods which are used for common supply shall be taken as 5 years from the date of invoice and accordingly input tax credit for a particular tax period is to be identified which shall be reversed in every tax period based on the ratio of exempt supply to total turnover and the rest common credit would be eligible to claim.
- Credit reversal which shall be shown in Table-4(B)(1) of GSTR 3B and Table 7D of GSTR 9 would be:
 - o ITC of capital goods which has been used exclusively for non-business purpose,
 - o ITC of capital goods which has been used exclusively for effecting exempt supply,
 - o Common ITC of capital goods based on the proportionate turnover of the exempt supply to total turnover.

Illustration

XYZ Ltd., is having an aggregate turnover of Rs. 13 lakhs for a particular month consisting of taxable supply of Rs. 10 lakhs and exempt supply of Rs.3 lakhs. They have availed Input tax credit of capital goods as follows:

- (i) ITC of capital goods availed of Rs. 3 lakhs exclusively for effecting taxable supply
- (ii) ITC of capital goods availed of Rs. 1.5 lakhs exclusively for effecting Exempt supply
- (iii) ITC of capital goods availed of Rs. 1.75 lakhs exclusively for Non-business
- (iv) ITC of capital goods of Rs. 0.25 lakhs for purchase of a motor vehicle
- (v) ITC of capital goods of Rs. 2.5 lakhs about which there is no clarity whether used in taxable or exempt supply.

Assume that all capital goods were purchased in March-18.

In this case if XYZ Ltd., has availed total credit of Rs.9 lakhs, then reversal required as follows:

Rs.1.5 lakhs –used for effecting exempt supply

Rs. 1.75 lakhs - used for non-business purpose

Rs. 0.25 lakhs –blocked credit

Rs.3 lakhs ITC exclusively used for effecting taxable supply would be fully available.

Life of capital goods would be 5 years (60 month), for 2017-18, there would be only 1 tax period as capital goods were purchased in the month of March-18, common credit available for reversal would be Rs. 0.15 lakhs (Rs. 9 lakhs / 60 month).

Now this common credit of Rs. 0.15 lakhs shall be reversed based on the ratio of exempt to aggregate turnover which is 25% (3 Lakhs / 12 lakhs). Accordingly, reversal of Rs. 0.0375 lakhs is required during the month of March-18.

Sl. No. 7E: Reversal under section 17(5) of the CGST Act

7E	As per section 17(5)				
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Introduction

As per Section 17 (5) ineligible credits are required to be reversed by the Registered Person except in the case of a certain supplier and supplies. Those are:

- (a) motor vehicles,
- (b) food and beverages,
- (c) outdoor catering,
- (d) beauty treatment,
- (e) health services,
- (f) cosmetic and plastic surgery,
- (g) membership of a club,
- (h) health and fitness centre,
- (i) rent-a-cab,
- (j) life insurance and health insurance,
- (k) travel benefits extended to employees on vacation such as leave or home travel concession,
- (l) works contract services when supplied for construction of an immovable property (other than plant and machinery),
- (m) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery),

- (n) goods or services or both on which tax has been paid under Section 10,
- (o) goods or services or both received by a non-resident taxable person except on goods imported by him,
- (p) goods or services or both used for personal consumption,
- (q) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples,
- (r) any tax paid in accordance with the provisions of Sections 74, 129 and 130.

The tax payer needs to review the list of credits not availed by him due to the restriction in Section 17. This review would be to ensure that the restriction has been rightly categorized by the Registered Person and look for an opportunity to consider the role of deemed supply, composite or mixed supply to enable credit.

E.g.: In case of a cost plus company which raises invoice on the parent company including cost incurred on rent-a-cab services received by the company, a view can be taken that such services are being used for providing the composite supply of services by the Company and therefore tax paid on such inward supply is eligible for credit as per section 17 (5)(b)(iii)(B).

A Similar view can be taken for Health and Life insurance services as well.

Review nexus:

Identify 'why' reversed:

Once the list of ITC reversed is reviewed considering the nexus theory, the tax payer needs to identify and analyze reasons for such a reversal. This is necessary to ensure that no ITC is missed out or reversed wrongly and the right amount of ITC is reversed. If the reversal is incorrect, ensure that the ITC is re-availed within the timelines prescribed under Section 16(4).

Analysis

- Source of information
 1. Information is required to be taken from the sum total of all the GSTR 3B part 4B (2).
 2. Ledgers of the Expenses mentioned above (a) to (r).
- Validation
 1. The said information has to be verified from all GSTR 3B for the period July 2017 to March 2018.
 2. Verification of ledgers of expenses given above and summary of the same is to be made stating also the ineligible ITC pertaining to the same.
 3. Since the ITC of these supplies are not eligible, it is possible that they might not have been availed and not shown in the GSTR 3B returns.

4. Another important aspect to be verified by the Tax payer is the nexus between input and output. Though direct nexus between input and output is not mandated by the GST Law, there is an indirect reference for establishing nexus in Section 16 of the GST Act, which entitles ITC on inputs, input services and capital goods used or intended to be used in the course or furtherance of business. Further, there are various restrictions in Section 17 which makes it inevitable to establish the nexus between input and output.
5. Once the nexus is identified, the tax payer needs to verify the impact of the same on the ITC reversal made under section 17(5).

E.g.: Reversal of ITC under section 17(5)(h) needs to be reviewed to check if the reversal on account of issue of free supply was actually required or not, as only disposal of free sample gets covered under section 17(5)(h) and not all cases where goods are transferred / issued to a person free of cost. If any inputs are supplied free of cost to a customer to entice further sales, it would fall within the definition of supply and hence would be liable to pay GST on the same after availing credit.

In the above example, if it is identified at the time of scrutiny / audit by the GST authorities that GST has not been paid on supply, the Registered Person would be required to pay tax on the same, but ITC reversed earlier cannot be claimed at that time due to restriction in section 16 (4).

- **Revision Required**

If the credit of the above-mentioned supplies is availed, then the same is required to be reversed by Registered Person before filing GSTR 3B before September 2018.

Notes to consider

1. ITC of the said supplies is availed in the case of Motor Car, Clubs due to fact that GSTR 2A reflecting the same.
2. In GSTR 3B ineligible credits are not availed and shown. In such situation same should not to be reflected here.

Additional notes to consider

In case where ineligible credit is not availed in GSTR 3B

The Registered Person has not availed the ineligible credit under section 17(5) and hence not reversed the ITC.

GSTR 9

Table 7F: Reversal of TRAN-I credit

7F	Reversal of TRAN-I credit				
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Table 7G: Reversal of TRAN-II credit

7G	Reversal of TRAN-II credit				
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Introduction

This Table requires details of reversal of transitional Transactional credit claimed and reported earlier in 7K and 7L. Transfer of taxes paid under earlier tax regime would flow into GST regime through this self-declaration. And there may be reasons to reverse some or all of this credit due to inaccuracies in understanding the extent of transition credit permitted. Revision was permitted through GSTR 3B filed and now, the credit so reversed is to be reported in this clause.

During the implementation of the GST regime, the Government had provided mechanism to claim transitional credit on a self-declaration basis in form TRAN-I and / or TRAN-II. Such transitional credit claimed may find a variance due to arithmetical errors, unclear laws or errors of omission and commission by the registered person. The possibility of errors in such credit taken were high since the transitional credit was taken on the basis of various statutory filling like VAT returns, Service tax, Excise Return, etc. Credit which taken in excess / or taken wrongly can be reversed in GSTR 3B and GSTR 9 by using an appropriate Table. TRAN-I or TRAN-II credit taken in excess of what is eligible will be reported in this Table.

Brief provision applicable while filling TRAN-I

This provision is contained in section 140(1) read with Rule 117(1) of CGST Rules.

In TRAN-I, credits that are being carried forward are as follows:

- Credits lying in return furnished immediately preceding 01st July 2017 that is the appointed day under the earlier law.
- CENVAT Credit of capital goods not carried forward in such return furnished under earlier law.
- CENVAT credit of creditors not paid within 90 days on appointed day and paid thereafter within stipulated time of another 3 months.
- CENVAT / VAT credit of eligible inputs, semi-finished goods and finished goods on fulfilment of prescribed conditions by registered persons.
- CENVAT credit of Services distributed by Input service distributor in the earlier law.
- Eligible duties and taxes in respect of inputs or input services received on or after the appointed day but the duty or tax in respect of which has been paid by the supplier under the earlier law, with the condition that the invoice or any other duty or tax paying document of the same was recorded in the books of account of registered person within a period of thirty days from the appointed day

Other than that, other kinds of information required to be furnished in TRAN-I are as follows:

- (i) Details of statutory forms received (C form, F Form, H/I Form)
- (ii) Details of duty paid invoices against input held in stock on which credit is available on filling of TRAN-II
- (iii) Details of goods sent to a job worker and held in stock
- (iv) Details of goods held in stock as agent on behalf of the principal
- (v) Details of goods sent on approval

Such credit claimed shall be eligible credit under GST regime and he has to furnish all returns required under earlier law for the period of six months immediately preceding the appointed date that is 01st July 2017.

The following registered persons, shall be allowed to take credit of input held in stock and inputs contained in semi-finished or finished goods held in stock as on 1 July 2017.

- A person who is not required to registered under the earlier law or
- A person engaged in the manufacture of exempted goods/provision of exempted services, or
- A person who was providing works contract service and was availing of the benefit of notification No. 26/2012—Service Tax, dated the 20th June 2012, or
- The first stage dealer or a second stage dealer, or
- The Registered importer or a depot of a manufacturer,

Provided,

- such goods are used for making taxable supplies,
- such a registered person is eligible for input tax credit on such goods in GST regime
- the possession of Invoice or any other document evidencing duty has been paid under the earlier law
- such documents have not been issued earlier than 12 months immediately preceding 01st July 2017
- the supplier of services would not get this benefit.

Brief provision applicable while filling TRAN-II

The above mentioned person other than the manufacturer or supplier of service who is not in possession of invoice or any other duty paying documents would get deemed credit by filling TRAN-II.

Such a person needs to provide details of goods held in stock at the time of filling TRAN-I and shall supply such goods within the prescribed period. The person needs to provide details of such goods supplied in TRAN-II and can claim deemed credit in electronic credit ledger as per Section 140(3) of the CGST Act read with Rule 117(4) of CGST Rules.

For detailed Transitional Provision, please refer to Background Material on the GST Chapter XX.

Analysis:

- Source of Information

For the limited purpose of verifying the amount reversed, the same column in GSTR 3B, that is, Table 4(B) and TRAN1/2 may be relied upon.

- o As discussed, reporting requirement in this table would be derived from the return already filled which is from GSTR-3B Table – 4(B) and TRAN-I/II.
- o Statutory returns filled during the earlier regime
- o Stock records
- o Electronic credit ledger having the category of addition or reduction therefrom in respect of Transitional credit

Apart from clerical errors in claiming such credit, it may also become liable for reversal in the following situations:

Situation where TRAN-I credit needs to be reversed Credit of Krishi Kalyan cess, / Education cess and / secondary and Higher education cess availed earlier that was carried forward has now come to be clearly identified as ineligible to be carried over into the GST regime

- (i) from Service tax / Excise return

Registered person may have carry forwarded all credit available in last Service tax or Excise return filled. There may be a case where he has claimed Krishi Kalyan cess (KKC) as CGST credit and which gets credited to Electronic credit ledger. Authority for advance ruling (Maharashtra) has ruled that the accumulated credit of Krishi Kalyan cess (KKC) shall not be admissible as input tax credit (ITC) in GST. (KANSAI NEROLAC PAINTS LIMITED 2018-VIL-11 AAR - MAHARASHTRA)

Since KKC can only be utilized towards payment of KKC only and unutilized balance of KKC cannot be utilized in the GST regime. As such credit would not be available.

Similarly, a person might have claimed credit of cess lying in the last filed Excise or Service tax return. On receiving communication from department regarding reversal of such cess or even voluntarily, he may reverse such excess claimed credit.

Wrong credit carried forward in TRAN-I, where the said amount of credit is not admissible under the GST law.

Credit liable to be reversed for failure to recover goods sent to a job-worker in terms of the time limit prescribed, then reversal is required under section 141 of the CGST Act. where goods are not received back from a job worker within the stipulated time.

Credit liable to be reversed for failure to recover goods sent on-approval to a potential customer/ worker within the time prescribed under Section 142(12) of the CGST Act.

Credit reversal required under Section 142(12) where goods sent on approval were not received back within the stipulated time.

Situation where TRAN-II credit needs to be reversed

- (i) for failure to pass on the benefit of such transition credit allowed under the GST.
- (ii) In case of TRAN-II credit may be required to be reversed because the credit availed through TRAN-II may not be passed on to the customer.
- (iii) Excess / wrongly availed credit in TRAN-II by mistake or because of direction by the department

Validation of Information

Reversal of transitional credit is required in the circumstances mentioned above. And eligible credits are linked to 'conditions' that are to be fulfilled subsequent to the claim of credit. Validation of information regarding reversal is firstly factual, that is, whether it has already been reversed or not? Then, compliance with the 'conditions' related to the credit claimed may be examined in each case. As regards TRAN 2, conditions relate to the benefit being passed on and credit limited to sales within Dec 2017, namely:

- A registered person, on primary scrutiny of the last return filled of earlier law, verifies his TRAN-I and if credit is cess and KKC carried forward, then he has to reverse the same.
- Credit taken under 140(3), conditions as mentioned above need to be checked with respect to the possession of Invoice not later than 12 months from the appointed date.
- A registered person should verify that goods sent on job-work or on approval have been returned within the stipulated time and entered in the stock register.
- A registered person should verify that sundry creditors for services as on 01/07/2017 are settled by 30th September 2017, as per 140(9).
- In case of TRAN-II, a registered person must have passed on the benefit of reduced prices to recipients to the extent of credit availed in TRAN-II.

- A registered person should verify that credit taken in TRAN-II for goods were sold on or before 31st December 2017.

Présentation in Annual Return :

A registered person is required to reverse excess / wrongly availed credit in GSTR-3B. If the same is reversed in GSTR-3B filed during 2017-18, then the same will be reported in this Sl.No.Table-7F. If such reversal is in GSTR 3B 'for' 2018-19, then it cannot be reported here but in Sl.N.12 of GSTR-9 because this Table warrants information of ITC reversed as declared in return filed during the financial year only.

If reversal of TRAN-I or TRAN-II credit is made in GSTR-3B filed during 2018-19 then the same will not be reported here but in Part V Table – 12 of GSTR-9.

Illustration

RP Ltd. has filed his April-17 to June-17 service tax return wherein the closing balance of service tax was Rs.5,00,000 and KKC of Rs.60,000. At the time of filling TRAN-I on 30th November 2017, the company claimed both credit of Service tax and KKC in TRAN-I hence amount gets credited to the CGST electronic credit ledger.

On scrutiny by the registered person, the company to know that credit of KKC was not allowed. Hence, they have reversed such credit in GSTR-3B of March-18. In such case, such credit reversal is required to be reported in Table-7F of GSTR-9 since credit gets reversed during 2017-18 itself.

Suppose in the above situation, they reversed such credit in GSTR-3B of May-18, then such credit reversal is required to be reported in Table-12 of GSTR-9

Mr. Peter provided sales and services of automobiles as an unregistered dealer under excise in the Central excise regime. Under the GST, he incorrectly claimed a transitional credit of Rs.18000/- on his stock in hand in TRAN-II. The Excise credit claimed needs to be reversed as there is no documentary evidence of the eligible input.

Notes to consider

- (i) Ensure that returns under the earlier laws have been promptly filed for claim of transition credit from the last return filed.
- (ii) Person filling TRAN-I must have filled all the 6 month period returns under the earlier law immediately preceding the appointed day.
- (iii) Composite dealer being disqualified from transition credit should not have claimed the same, because he is not eligible to claim Transitional credit

- (iv) Goods in respect of which such transition credit is availed under section 140(3) must actually be used for making taxable output supplies Input or goods are used or intended to be used for making taxable supplies. (??check)
- (v) Verify that the relevant invoice or document is in possession of (??).
- (vi) Possession of invoice or other documents evidencing payment of duty under earlier law is a must for a person filing TRAN-II
- (vii) The TRAN-I and TRAN-II credit taken at times is not verified by checking the valid invoices for the eligible amount.

Additional notes to consider

- Reporting is required only for whatever is reported in GSTR-3B.
- Even though Input tax credit reversal as per above calculation and reversal of input tax credit made by registered person does not match then only as far as Table-7C is concerned, only declared in return is to be reported.
- Registered person should bifurcate the ITC reversed on Input, input service and capital goods and report in respective figure.
- Reversal required for each tax on each period and at the yearend consolidated calculation for the year should be required and differential ITC to be reversed / re-availed as the case may be.

Conclusion:

Point 7A to 7H pertain to the reversal of ITC due to ineligibility or reversals required under Rules 37,39,42,43 of the CGST Rules, 2017 and Section 17(5) of the CGST Act, 2017 , Transitional credit as per TRAN1 and TRAN 2. It is of the utmost important to review the same with books of accounts. As all the figures are required to be filled in from the GSTR3B filed for the period July, 2017 to March, 2018, it might be possible that the reversals are not made as per the provisions of law and reported in GSTR 9. By filling point 7 the registered person will be able to know the correct consolidated figures of reversal made or required to be made.

Table 7H: Other reversals (pl. specify)

7H	Other reversals (pl. specify)				
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It might be possible that there are situations where the credit availed which has to be reversed does not fall under table 7A to 7G. In such situations the registered person has to reverse the said credit and will be reflected here.

Illustrative Situations:

1. Supply was made and returned subsequently for which credit note was raised but the customer has also issued his invoice for the said return.

Credits required to be reversed as per Rule 44 of the CGST Rules, 2017 in case of special circumstances read with section 18(4) and section 18(6) of the CGST Act, 2017.

Source Information:

GSTR 3B, Fixed assets register & Ledger, GSTR 2A, Sales Return Register, Stock register of Inputs, Work in Process and Finished Goods.

Validation:

1. A registered person has to verify all the sales return and credit notes issued to the customers. In GSTR2A any transaction reflected with respect to outward supply is required to be verified with a corresponding reversal in GSTR 3B.
2. In case of reversal due to special circumstances mentioned in Section 18(4), details of closing stock on which ITC is availed are to be verified and the corresponding reversal thereof in GSTR 3B.
3. In case of supply of capital goods on which input tax credit has been taken, ITC is required to be reversed. The same has to be verified with Fixed Asset Register and ledger thereof.

Conclusion:

Any credit reversal made during July -17 to March 18 September-17 (after March 2018, it would appear in SI.No.12) and as shown in GSTR-3B which is not covered in Table-7 elsewhere is to be reported here.

Table 7I: Total ITC Reversed (A to H above)

7I	Total ITC Reversed (A to H above)				
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This table is auto filled and contains the sum total of ITC reversed including Ineligible ITC reversed which was claimed wrongly during July-17 to March-18 and which were duly recorded in GSTR-3B for that period.

Table 7J: Net ITC Available for Utilization (6O - 7I)

7J	Net ITC Available for Utilization (6O - 7I)				
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This table auto calculates Net ITC available for utilization from details furnished in Table-6 and Table-7. Total credit availed as per Table-6 would be reduced from ITC reduction as declared in Table-7 and net result thereof would be auto populated in Table-7J.

Sl. No. 8 - Other ITC related Information:

A	ITC as per GSTR-2A (Table 3 & 5 thereof)	<Auto>	<Auto>	<Auto>	<Auto>
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Table No.	Instructions
8A	The total credit available for inwards supplies (other than imports and inwards supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 and reflected in FORM GSTR-2A (table 3 & 5 only) shall be auto-populated in this table. This would be the aggregate of all the input tax credit that has been declared by the corresponding suppliers in their FORM GSTR-I.

Table 8 of GSTR 9 contains two sections. The first section relates to the comparison of credit availed on forward charge by the tax payer with the credit available as per inward supply uploaded by the suppliers in GSTR 1, duly reflected in GSTR 2A (Clause A to F of Sl. No.8). The second section relates to the comparison of IGST paid on the import of goods with IGST availed on import of goods (Clause G to J of Sl. No. 8). The differences in both the cases (Clause K of Sl. No. 8) is sought 'to be lapsed'.

It is pertinent to note that Sl. No. 6 of Annual Return deals with '*Details of ITC availed, as declared in return during the financial year*'. Both Table 6 and 8 deal with ITC. However, the difference in Sl. No. 6 and 8 is that Sl. No. 6 commences with ITC availed by the tax payer, as claimed by the tax payer in Form GSTR 3B and bifurcates the credit availed under various heads like credit availed under forward charge, reverse charge - under Sections 9(3) and 9(4), import of goods and import of service. In contrast, Table 8 commences with ITC as per Form GSTR 2A i.e. inward supplies of the registered person, as declared by his suppliers. Table 8 primarily seeks to determine:

- (a) ITC availed on forward charge which has lapsed (Clause E of Sl. No. 8)
- (b) ITC availed on forward charge which is not eligible (Clause F of Sl. No. 8)
- (c) ITC not eligible on import of goods (Clause J of Sl. No. 8)
- (d) Total ITC which has lapsed: Aggregate of 8E + 8F + 8J

It is also opportune to mention here that:

- (a) ITC relating to import of services
- (b) ITC availed under reverse charge other than the import of goods
- (c) ITC availed from ISD

are not subject to reconciliation in Sl. No. 8.

Clause A of Sl. No.8: ITC as per GSTR-2A (Table 3 & 5 thereof)⁶**Introduction**

Clause A of Sl. No.8 is an auto populated detail. The value of supplies along with relevant nature and amount of tax shall be auto populated from Table 3 and 5 of Form GSTR-2A. Table 3 of GSTR 2A relates to '*inward supplies received from a registered person other than the supplies attracting reverse charge*'. Table 5 of GSTR 2A relates to '*Debit/ Credit notes received during the current tax period*'. Thus, what is auto populated from GSTR 2A into this clause is only the data relating to credit availed on inward supplies, where GST is paid to suppliers and amendments made thereto in the form of debit/ credit notes.

Analysis

Values only in Table 3 and 5 of GSTR 2A are auto populated in this clause because this clause r/w Clause B and C of Sl. No.8 seeks to compare and determine the credit availed by the tax payers on their own account in GSTR 3B vis-à-vis the credit uploaded by suppliers, as captured in GSTR 2A.

Input tax credit availed on import of goods including inward supplies from SEZ is sought to be cross checked in Sl. No.8 since corresponding independent data would be available to the department from ICEGATE.

Input tax credit availed on inward supplies received from an un-registered person under section 9(4) of CGST Act, 2017 cannot be cross checked in GSTN. Input tax credit availed from registered persons, liable to reverse charge under section 9(3) is not sought to be reconciled in Sl. No.8

Verification of GSTR 2A may bring forth the following discrepancies:

- Unknown purchases
 - o The supplier may have uploaded the invoice with incorrect GSTIN. In such cases, the registered person may receive inward supplies not pertaining to it/ him. Since this value gets captured in GSTR 2A, it gets auto populated in this clause.
 - o The registered person does not have any *locus standi* to take such credits in his GSTR 3B (the data from which gets reflected in Clauses B and C of Sl. No.8)
 - o Unknown purchases would lead to a difference in Clause D of Sl. No.8. This difference would have to be shown as ineligible credit in Clause F of Sl. No.8.

⁶ Clarification sought from the Government.

- Purchases for which credit is ineligible
 - o A portion of the GST paid on inward supplies may be ineligible u/s 17 and Rules made thereto. Ineligible credit would however form part of GSTR 2A, when the supplier uploads the same in GSTR 1.
 - o Ineligible credit forming part of this clause is sought to be identified and reported in Clause F of Sl. No.8.
- Twin-reporting
 - o There could be cases where a single transaction could have two inward supplies in GSTR 2A. For example, the amount paid for purchase of air ticket by the tax payer would entail two inward supplies; one from the airline for the ticket and second from the travel agent charging commission. Both the credits would be available through the transaction is a single one (subject to conditions for availment of credit).
 - o One of the conditions for availing credit is that payment ought to be made to the supplier. However, payment would be made by the tax payers only to the travel agent and not the airline. The condition of making payment would have been satisfied notwithstanding the fact that payment is not made directly to the airline carrier in the instant case. Reference is drawn to Explanation (ii) to Section 16(2) (b) of CGST Act, 2017, made by the Central Goods and Service Tax (Amendment) Act, 2018.
- Value auto populated in this clause to match with Column (3) of Sl. No.14 in GSTR 9C:
 - o It is pertinent to note that the aggregate value of inward supplies as per GSTR 2A ought to match with the value as per Column (3) of Sl. No. 14 of GSTR 9C - 'Amount of total ITC'.
 - o Column (3) of Point Sl. No. 14 of GSTR 9C gives expense wise break up of credit available on inward supplies, which is compared with credit availed as per Column 4.
- Inward supplies where GSTR 1 has not yet been filed (as due date for GSTR 1 is Oct 31, 2018 or Dec 31, 2018) would be conspicuous by its absence
 - o There could be cases where a registered person has paid consideration to suppliers and taken credit based on invoice, but the supplier has not uploaded the invoices. In such cases, such invoices would be conspicuous by their absence, though the registered person has accounted for the said invoices and taken credit thereon.

- o The registered person would not want to forego the credit merely because the supplier has not uploaded the invoices. The differential figure (due to registered person taking credit while supplier has not uploaded invoice) would lead to a negative value in Clause D of Sl. No.8.
- o Value in Clause D of Sl. No.8 is sought to be lapsed. Be that as it may, in such cases the tax payer would have to reply to queries from the department seeking information as to why values are negative. The copy of invoice (complying with all the conditions stated in Rule 46 of CGST Rules, 2017), the date of payment of consideration to the supplier are the primary documents/ evidences to be safeguarded by the tax payer in a case where value in Clause D of Sl. No. 8 is negative due to failure on the part of the supplier to upload information.

Notes to consider

Since the information in this clause is auto populated, there can be no input errors. However, there may be instances where supplier amends information provided in Table 4 regarding outward supplies through Clause A, B or C of Sl. No.9 of GSTR-1. In such cases if GSTR-9 is filed by the recipient before corresponding amendments by the supplier, the relevant information might not travel to this clause because of auto population taking effect before corresponding amendment by supplier and consequent updating by GSTN. Hence recipient ought to match the figures of GSTR-2A with his invoices/debit/, credit notes before filing GSTR-9.

The tax payer would have to request the supplier to upload his invoices in GSTR 1 in case of a mis-match between invoices/ debit/ credit notes on hand and data uploaded in GSTR 2A. The uploading by supplier after intimation by the tax payers may have a lead time. Therefore, exercise of filing Form GSTR 9 must be started well in advance before the due date.

Should the supplier fail to upload his invoices in GSTR 1 or if the tax payers upload his GSTR 9 before the supplier uploads his invoices in GSTR 1, then Table 8D (explained below) may show a negative figure, leading to the issue of notice alleging excess/ irregular availment of credit.

There could be instances where B2B supplies have wrongly been declared as B2C supplies, for failure to provide GSTIN by the tax payer or due to genuine data entry error. If such supplies are in the nature of intra-State supplies or if such supplies are in nature of inter-State supplies but the value of supply being less than Rs.2.50 lakhs, then the invoice level details may not have been entered in GSTR 1 by the supplier. Hence, such data will not travel to GSTR 2A and consequently to this clause in GSTR 9. This data entry error will get reflected in Clause D of Sl. No. 8. The registered person will thereafter have to take corrective action by

intimating the supplier to correct his GSTR 1. Since corrective action has to be taken by the supplier, it would be better to initiate the action well before the due date.

Conclusion

Table 8A deals with credits of a registered person, as a result of outward supply uploaded by suppliers. The supply uploaded by the supplier in the post financial year 2017-18, relating to financial year 2017-18 would be automatically uploaded in this clause. Failure to get invoices uploaded by the supplier on which credit is availed by the tax payer may lead to a *prima facie* disclosure in Table 8D leading to issuance of a show cause notice.

Sl. No. 8B: Input tax credit as per sum total of 6(B) and 6(H)

8B	ITC as per sum total of 6(B) and 6(H) above	Auto>			
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Table No.	Instructions
8B	The input tax credit as declared in Table 6B and 6H shall be auto-populated here.

Introduction

Aggregate of input tax credit uploaded in Clause B and H of Sl. No.6 GSTR 9 gets auto populated in this clause.

Clause B of Sl. No. 6 of GSTR-9 captures input tax credit pertaining to Inward Supplies (other than imports and inward supplies on which tax is to be paid on reverse charge but includes services received from SEZ).

Input tax credit availed on import of goods and import of services is disclosed separately in Clause E and F of Sl. No.6. Inward supplies liable to reverse charge under section 9(3) and 9(4) is also separately disclosed in clause C and D of Sl. No.6 respectively. Hence, the aforesaid input tax credit is excluded in clause B of Sl. No.6. Supplies of services received from SEZ are liable to tax on forward charge and GST on such supplies received from SEZ is eligible to be taken as credit on forward charge, subject to the satisfaction of regular conditions under section 16 and 18 of the CGST/ SGST Act. Hence, input tax credit paid on services received from SEZ is included in Clause B of Sl. No.6.

Clause H of Sl. No.6 relates to the aggregate value of input tax credit availed, reversed and reclaimed under the provisions of the GST Act, 2017. Hence credit reclaimed/ re-availed as per the 2nd proviso to Section 16(2) of CGST/ SGST Act, 2017 should be reflected here. Credit availed, reversed and reclaimed pursuant to Rule 42(2)(b) of CGST/ SGST Rules, 2017 also must be entered here.

Analysis

This clause is also an auto populated field which consolidates the values entered in Clause B and H of Sl. No.6 of GSTR-9. Clause B and H of Sl. No.6 captures the values entered in Table 4(A)(5) of GSTR-3B - 'All *other input tax credit*'. This clause provides details of input tax availed on forward charge for the period July 17 to March 18.

- Documentary evidences/ workings to match with auto populated data in this clause
 - o The tax payer ought to maintain a working sheet/ derive the balance of Clause B and H of Sl. No.6 (the aggregate of which gets auto populated into this clause). Working sheet also needs to be maintained for input tax credit on inward supplies received during 2017-18 but availed during April 2018 to September 2018.

Notes to consider

If ITC is wrongly reported in GSTR-3B, the mistake shall get reflected in this clause.

Conclusion

This clause is a data field inserted in GSTR 9 to bring forth all the input tax credit claimed by the tax payer on forward charge including credit reclaimed by the registered person.

Sl. No. 8C: ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 but availed during April to September 2018`

8C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 but availed during April to September 2018				
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Table No.	Instructions
8C	Aggregate value of input tax credit availed on all inward supplies (except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs) received during July 2017 to March 2018 but credit on which was availed between April to September 2018 shall be declared here. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details.

Introduction

This clause reflects the figures of input tax credit pertaining to 2017-18 availed during April 2018 to September 2018 through GSTR 3B filed during the months of April 2018 to September 2018. In other words, GSTR 3B filed belatedly 'for' the months of 2017-18 'in' the months of

2018-19 would continue to appear as credit availed 'during 2017-18' and not in this clause. For example, GSTR 3B for the month of January 2018 filed during the month of August 2018 would still be reflected as credits of January 2018 and reflected in Clause B of Sl. No.8 and not under this clause.

It may be noted that some experts are of the opinion that GSTR 3B is not a 'return' through which the right to input tax credit vests as referred in Section 16(2)(d) of the CGST Act,. GSTR 3B is the statement under Rule 61(5) of CGST Rules, and this information is sought in this clause without prejudice.. However, transparency in the disclosure of such a tax position is advised as the credit availed after Oct 20, would still appear in 8K of GSTR 9.

The values entered under this clause are required to be extracted from Table 4(A)(5) of GSTR 3B for April 2018 to September 2018.

Analysis

Section 16(4) of the CGST/ SGST Act, 2017 allows the tax payer to avail credit upto due date of filing return for the month of September 2018. Thus, there ought to be a data entry field to disclose the credit availed from April to September months of the subsequent financial year. It is pertinent to note that credit availed only on forward charge in April 2018 to September 2018 would be entered here since Clause B and C of S. No. 8 would be compared with Clause A of Sl. No. 8. The fact that Clause A of Sl. No.8 deals only with credit availed on forward charge is made clear by the text entered in the description column of this clause.

Where GSTR 3B is not reckoned as a return under section 39 but merely a statement ad interim under Rule 61(5) of the CGST Rules, 2017, since due date for filing GSTR 1 (by suppliers) is Oct 31, 2018, which is long after the date specified and operating as time-limit in section 16(4). If credit is claimed on this interpretation, after October 20, 2018 (being due date of September return) through the reconciliation statement in GSTR 9C, the said credit would still appear in Clause E & K of Sl. No.8 as 'to be lapsed'. Necessary advice may be taken regarding the disclosure of such an interpretation to retain the said credit.

Notes to consider

All credits including in-eligible credit relating to 2017-18, availed during April 2018 to September 2018 may be wrongly entered here. Only eligible credit availed for the period 2017-18 on forward charge, during April 2018 to September 2018 must be entered here.

Additional notes to consider

- (a) Sl. No.12 in part V of GSTR-9, captures the entire amount of input tax credit reversed reported in Table 4B of GSTR 3B during the months of April 2018 to September 2018 relating to the earlier year.

- (b) Value disclosed in this clause for the financial year 2017-18 should be reduced while computing the value in Clause B of Sl. No.8 in GSTR 9 for the financial year 2018-19.
- (c) This clause captures invoices pertaining to the earlier financial year. Input tax credit in respect of supplies pertaining to the earlier financial year but invoiced in the subsequent financial year shall not be covered under this clause but under clause B of Sl. No.8 of the subsequent financial year. For example, services supplied during March 2018 may be invoiced during April 2018. The said credit shall form part of Sl. No.8B of GSTR 9 for financial year 2018-19 and not Sl. No.8C of GSTR 9 for the financial year 2017-18.

Conclusion

This clause is inserted to take care of the provisions of section 16(4) of the CGST Act, 2017, to ascertain, match and reconcile the credit availed in the subsequent financial year, where the credit availed relates to the previous financial year.

The values forming part of this clause must also form part of Sl. No 13 (Pt. V of GSTR 9) – 'ITC availed for the previous financial year'. Since Pt. V of GSTR 9 provides for '*Particulars of the transaction for previous financial year, declared in returns of April to September of current financial year or up to the date of filing annual return, whichever is earlier*', this clause, as reflected in Sl. No.13 may be treated as an exceptional item (by the revenue and receive spotlight??). The registered person will be called to substantiate the data entered in Point No. 13, since it leads to reduction in tax liability. Since data entered in Point No.13 ought to match with data entered in Point No. 8C, the registered person ought to have the working sheet with invoice wise line item wise data, in addition to the invoices themselves.

Sl. No. 8D: Difference [8A-(8B+8C)]⁷

8D	Difference [A-(B+C)]				
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Analysis

Ideally the value in this clause ought to be positive, since all inward supplies as reported in GSTR 2A may not be eligible input tax credit. In majority of circumstances GSTR 2A would also contain blocked credit under Section 17(5) and non-business credits under section 17(1), in addition to eligible credit. There could be credits used exclusively/ partially for exempt supplies, which will have to be dealt as per Section 17(2), (3) of CGST Act, 2017 r/w Rule 42 and Rule 43 of the CGST Rules, 2017. Hence this clause ought to generally declare a positive value.

However, in case this clause derives a negative value, it could point to the fact that ITC has been availed by the recipient, but the supplier has failed to upload the invoices in his GSTR 1,

⁷ Clarification sought from the Government.

leading to the absence of corresponding credits and values in GSTR 2A of the registered person.

Negative values in this clause, in exceptional circumstances, could indicate errors or omissions/ commissions in the form of availing credit twice and availing excess credits due to typographical errors.

Suffice to say that if differential value in this clause is positive, then the value in this clause is normal. However, if the differential value in this clause is Zero or negative, it points to abnormal values. If differential value in this clause is Zero, it tends to point that credit has been availed on inward supply and that there is no blocked credit and non-business credits. If the differential value in this clause is negative, it generally tends to point to the fact that suppliers have not uploaded their information in GSTR 1 leading to supplies not getting captured in GSTR 2A. Negative differential value in this clause may tend to point towards errors of commission/ duplication on the part of a registered person while availing credit. Hence, it is stressed that working sheets must be prepared on the basis of ledger accounts/ invoice to determine and find out the exact cause of difference for initiation of remedial action either on the part of the registered person or on the part of suppliers of the registered person.

Common Errors

This is a derived value field. The errors manifested in this field would be due to inherent errors in Clause A to C to Sl. No.8.

Additional notes to consider

The registered person ought to consider possible ramifications where this clause discloses a negative figure. The department may automatically issue notices/ letters to the registered person alleging that excess credit has been availed or seeking information why value in this clause is negative.

Conclusion

A negative figure in this clause would be a cause of concern and a repetitive trend every year for a registered person having a large number of suppliers. The registered person has no choice but to invest resources to initiate reconciliation and thereafter get the suppliers to carry out the rectification for omissions and commission on the part of suppliers.

A positive figure in this clause would not be a cause of concern. However, it also requires further action on the part of a registered person to bifurcate the difference between credit available and credit not availed and ineligible credit for further data entry hereinafter.

Sl. No. 8E: Input tax credit available but not availed (out of 8D)⁸

8E	ITC available but not availed (out of D)				
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Table No.	Instructions
8E & 8F	Aggregate value of the input tax credit which was available in FORM GSTR2A (table 3 & 5 only) but not availed in any of the FORM GSTR-3B returns shall be declared here. The credit shall be classified as credit which was available and not availed or the credit was not availed as the same was ineligible. The sum total of both the rows should be equal to difference in 8D.

Introduction

Difference value in Clause D of Sl. No.8 when positive, may contain eligible credits which have not been availed by the registered person. The most likely reason for such non-availment could be the failure to take credit within the time lines specified under section 16(4) of CGST Act, 2017.

Analysis

This clause seeks to lapse eligible credit, which has not been availed within the time limit specified under Section 16(4) of CGST Act, 2017. This becomes all the more important since input tax credit relating to previous year can be claimed in the subsequent financial year up to the due date of filing return for the month of September..

Input tax credit which is neither reflected in GSTR 2A nor claimed in GSTR-3B but taken in books of accounts would also fall under the category of input tax credit available but not availed. But such input tax credit ought not to be entered in this clause since this clause seeks to find out the difference between inward supplies uploaded by the supplier and inward supplies claimed by the registered person.

Input tax credit may not have been availed due to various reasons. Some of them may be as follows:

- (a) There could be cases where goods have been delivered to the GSTIN from whom order is received but payment is made from another GSTIN under the same PAN. As per the definition of recipient under section 2(93) of the CGST Act, 2017, the person liable to pay consideration ought to be treated as a recipient. This input tax credit cannot be distributed under input service distributor mechanism since the said credit is related to goods and not services. The recipient shall have to forego such input tax credit in case it has not shown the same as outward supply from the branch which has made payment

⁸ Clarification sought from the Government.

to the branch which has received the goods within the time specified under section 16(4).

- (b) Input tax credit pertaining to 'bill to ship to' transactions, where in the supplier has wrongly incorporated the GSTIN of the person to whom goods are shipped instead of GSTIN of the person to whom goods are billed. Here the person to whom goods are shipped shall have credit twice, one from the supplier and one from the registered person, on whose direction's goods have been delivered to the recipient. The registered person who is the nature of 'bill to' person may have to forego the input tax credit pertaining to invoice from the original supplier, if the original supplier fails to rectify his GSTR 1 before September 2018 or the date 'bill to' person files his annual return, whichever is earlier.
- (c) Input tax credit pertaining to the goods of a registered person for which sister concern/associate enterprise has been wrongly entered as the recipient by the supplier, in case where amendment is not carried out by the supplier in GSTR 1 before the annual return is filed by the registered person.
- (d) Where the registered person's business has been transferred but input tax credit is not transferred to the transferee under section 18(3) of the CGST Act, 2017 by filing Form ITC-02
- (e) Where the registered person has opted for composition scheme or goods or services supplies by the registered person have become wholly exempt and input tax credit has not been foregone by the registered person under section 18 of CGST Act, 2017 by filing Form ITC-03.

Notes to Consider:

Where input tax credit has wrongly travelled to the GSTIN of the registered person, the supplier shall have to carry out amendment through Table 9 of GSTR-1 so that it reaches the destined GSTIN. In such cases the registered person has to disclose such credit in Clause F of Sl. No.8 and not under this clause.

Values disclosed in this clause must be scrutinized by the tax payer. Line wise item may be checked by the tax payer and the treatment provided to this credit by the registered person in the books of accounts ought to be validated by the tax payer since the credit would move from current assets in the balance sheet to the corresponding expense account in the profit and loss account.

Where the amount of ITC claimed in returns is more than the amount of ITC flowing from GSTR2A and a negative difference arises, zero amount may be taken. It is because in such case the amount of ITC available but not availed or ITC available, but ineligible reflected in 8E and 8F shall also be zero and the sum total of 8E and 8F has to be equal to 8D as per scheme

of GSTR-9. Although 8D is a calculative field, it has not been auto populated, probably to make room for this scenario.

Conclusion

The values entered in this clause would invite careful scrutiny u/s 35(5), 66 and 67. The assessee may be called upon to provide data of input tax credit available but not availed in the aforesaid cases. Hence it would be better to have validated data, if possible invoice wise details to substantiate the entry made under this clause.

Sl. No. 8F: ITC available but ineligible (out of 8D)⁹

8F	ITC available but ineligible (out of D)				
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Introduction

This clause has been inserted in the annual return to report that portion of input tax credit availed on forward charge, which is ineligible to be taken as credit due to provisions of section 17 of CGST Act, 2017 read with Rule 39 and 42 of CGST Rules, 2017.

Analysis

Ineligible input tax credit is recorded in Table 4(D) of GSTR 3B. Ineligible input tax credit is divided into two parts:

1. Input tax credit ineligible as per Section 17(5) of CGST Act, 2017
2. Other ineligible input tax credit

Suffice to state that credit which has been determined as in-eligible credit under section 17(5) of the CGST Act, 2017 must find a mention under this heading. There could be cases where the registered person has uploaded only the eligible credit in Form GSTR 3B and completely omitted to enter the ineligible credit in Table 4(D) of GSTR 3B for the period July 2017 to March 2018. In such cases, the information would have to be procured from books of accounts and entered here notwithstanding the fact that the said values are not entered in GSTR 3B since GSTR 2A would include all inward supplies including the ineligible credit.

Other Ineligible ITC:

- (a) Input tax credit not intended to be used in the course or furtherance of business u/s 16(1) of the CGST Act, 2017
- (b) Input tax credit relating to non-business purposes u/s 17(1) of CGST Act, 2017

⁹ Clarification sought from the Government.

- (c) Input tax credit exclusively related to exempt supplies u/s 17(2) of CGST Act, 2017
- (d) Input tax credit related to exempt supplies u/s 17(3) of CGST Act, 2017
- (e) Input tax credit which has been capitalized and hence ineligible u/s 16(3) of CGST Act, 2017
- (f) Input tax credit availed in contravention of conditions u/s 16(2) of CGST Act, 2017

Notes to Consider:

Ineligible input tax credit may have been wrongly claimed in GSTR-3B. If such credit is rectified in the subsequent GSTR 3B by March 2018, then such rectifications would find a mention under this entry and the issue would be closed. However, if the ineligible credit is not rectified in the subsequent GSTR 3B by March 2018, then the GSTR 2A would capture the ineligible credit but Clause B of Sl. No. 8 would carry forward the credit as a valid credit. The difference amount in Clause D would also be incorrect since it would not carry the ineligible credit. In such cases, the ineligible credit must be reversed in the month subsequent to filing GSTR 3B in subsequent financial year. This ineligible credit would come in clause F of Sl. No.8 of the annual return of the subsequent financial year. However, the fact that such ineligible credit is forming part of Clause B of Sl. No.8 must be reported by the tax payer in GSTR 9C as a qualification in his audit report.

Additional notes to consider

The tax payer would have to look into all aspects relating to input tax credit. Verification of internal controls especially conditions for availing and utilizing the credit mentioned in section 16 of CGST Act, 2017.

It would also have to be verified if the credit which is ineligible as per section 17 of CGST Act, 2017, especially section 17(5) of the CGST Act, 2017 has been complied with. Thereafter reversals under Rule 37, 39, 42, 43 of the CGST Rules, 2017 would have to be verified for compliance. Such an arduous verification is necessary for the taxpayer to satisfy himself that the value entered in this entry is '*true and correct*'.

Conclusion for Table 8A to 8F

The 'difference amount' mentioned in Clause D of Sl. No.8 must necessarily be either 'ITC available but not availed' as per Table 8E or 'ITC available but ineligible' as per Table 8F. Thus, the amounts mentioned in Clause E and F must add up to the values in Clause D. Values in Clauses E and F are mutually exclusive. Documentary evidences for each of them has to be independently obtained before the auditor can classify a particular transaction either under Clause E or F.

Sl. No. 8G to 8J: Reconciliation of IGST paid on import of goods and IGST availed on import of goods and determination of IGST lapsed on import of goods

IGST paid on the import of goods under Clause G of Sl. No. 8 is sought to be compared with IGST availed on the import of goods as per Clause H of Sl. No.8. The difference on account of IGST paid and IGST availed will be determined in Clause I of Sl. No.8. Thereafter 'IGST available on the import of goods but not availed' will be determined under in Clause J of Sl. No.8. The said credit will laps. This is the sum and substance of the latter portion of Sl. No.8 relating to Clauses G to J.

Sl. No. 8G: IGST paid on import of goods (including supplies from SEZ)

8G	IGST paid on import of goods (including supplies from SEZ)				
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Table No.	Instructions
8G	Aggregate value of IGST paid at the time of imports (including imports from SEZs) during the financial year shall be declared here.

Introduction

IGST paid on the import of goods as well as IGST paid on inward supplies from SEZ Unit shall be captured in this clause.

Analysis

IGST is levied on the import of goods. The levy is under section 3(7) of Customs Tariff Act, 1975. As per proviso to Section 5(1) of the IGST Act, 2017, the time of levy of IGST is at the time basic customs duty is payable as per Section 12 of the Customs Act, 1962. Thus the import of goods is liable for IGST.

Supplies of goods or services or both to or by a SEZ unit or SEZ developer is treated as an inter-State supply as per Section 7(5) of IGST Act, 2017. Hence, supplies from SEZ unit/ developer to DTA would be liable to IGST. Further as per Section 30 of SEZ Act, 2005 any goods removed from SEZ to Developer 'shall be chargeable to customs duty', as leviable on such goods when imported. Attention is also drawn to Rule 47 (1) and (4) and (5) of SEZ Rules, 2006 which states that valuation and assessment of goods cleared to DTA shall be in accordance with the Customs Act, 1962. Hence supplies by SEZ to DTA would be exigible to IGST, as leviable when goods are imported into India. Hence this clause contains not only IGST paid on the import of goods but also on inward supplies from SEZ.

Rule 48 of SEZ Rules, 2006 mandates that DTA buyer ought to file Bill of Entry for home consumption when goods are supplied from SEZ to DTA. Hence the procedure for importing goods and procurement of goods from SEZ is similar. What is important to note from the aforesaid discussion is the details of goods procured from SEZ would be available with the customs department in ICEGATE. Thus, the GSTN can cross reference the particulars of goods procured from SEZ with ICEGATE (similar procedure adopted for the import of goods

into India.). Therefore, the tax payer must validate the information (i.e. customs duty paid on the import of goods/ procurement of SEZ), to be entered under this row with customs duty paid by the tax payer as per ICEGATE. Differences if any must be investigated. The IGST paid on the import of both capital goods and inputs must be compiled here and the aggregate value thereof must be entered in this row.

Common Errors

This row requires the value of IGST paid on the import of goods/ procurement of goods from SEZ. The value to be entered in this row is the actual IGST paid not the IGST availed by the assessee. All goods imported/ procured from SEZ may not be eligible as credit. Be that as it may, the entire value of IGST paid on the import of goods including ineligible credits, credit not availed must be included in this row.

Additional notes to consider

As per the proviso to Rule 48(3) of SEZ Rules, 2006, in a case where such goods are supplied back to the Domestic Tariff Area, as it is, and where the import duty on such goods is 'Nil' and (while procurement of such goods no export benefits were allowed against such goods,??) the SEZ Unit may be allowed to supply back such goods to the Domestic Tariff Area on the basis of invoice only and *filing of Bill of Entry in such cases shall not be required*.

As per instructions given at para 9 to GSTR 1, any supply made by SEZ to DTA, without the cover of a bill of entry is required to be reported by SEZ unit in GSTR-1. The supplies made by SEZ under cover of a bill of entry shall be reported by DTA unit in its GSTR-2 as imports in GSTR-2. The supplies made by SEZ without the cover of bill of entry may come in GSTR 1 of SEZ, but the said supply shall still remain an import. However, the DTA shall be liable to pay IGST under reverse charge as per the proviso to Section 5(1) of the IGST Act, 2017 in both the cases.

The reason SEZ is required to file details in GSTR 1 where bill of entry is not supposed to be filed is because, as per the proviso to Rule 48(3) of SEZ Rules, 2006, such imports attract Nil rate of customs duty. Since customs duty is not payable, DTA need not file the Bill of Entry. However, the fact remains that it is an import of goods since SEZ is deemed to be a territory outside the customs territory of India as per Section 53 of SEZ Act, 2006. Customs territory of India is nothing but customs area as per section 2(11) of the Customs Act, 1962. As per Section 51, the provisions of SEZ Act, 2005 shall have effect notwithstanding anything inconsistent therewith contained under any other law. Thus, any supplies made from SEZ to DTA ought to be treated as import of goods into India, irrespective of who has filed the Bill of Entry. Since supplies from SEZ to DTA is treated as import of goods due to the aforesaid provisions, the said transaction shall attract the trappings of the proviso to Section 5(1) of the IGST Act, 2017. The said tax shall be paid by the DTA under reverse charge as import of goods and hence find a mention under this clause.

Conclusion

IGST paid on the import of goods as well as IGST paid on supplies from SEZ shall be covered under this clause. Supplies from SEZ to DTA whether under a cover of the bill of entry or not would be subject to IGST as per the proviso to Section 5(1) of the IGST Act, 2017.

Sl. No. 8H: IGST credit availed on import of goods (as per 6E) above

8H	IGST credit availed on import of goods (as per 6(E) above)	<Auto>			
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Table No.	Instructions
8H	The input tax credit as declared in Table 6E shall be auto-populated here.

Introduction

IGST credit on the import of goods including supplies from SEZ is reflected in 6E of GSTR 9. The data entered in 6E of GSTR 9 is auto populated into 8H of GSTR 9. It may be kept in mind that 6E is bifurcated in IGST paid on inputs and capital goods. The aggregate of IGST paid on inputs and capital goods is auto populated into 8H.

Analysis

Clause 6E covers only inputs and capital goods. Input services are not the subject to 6E since import of services is specifically covered under 6F of GSTR 9 and only data from 6E is auto populated into Table H. Another reason for the import of services not being included for reconciliation in 8G & 8H is because there is no parallel data available with the department (similar to ICEGATE) to compare the tax paid on the import of service under reverse charge.

Notes to consider

Errors made while filling in data in GSTR 3B would come back to bite the tax payer in Table 8. Any errors of omission/ commission/ duplication made while filing GSTR 3B in Table 4(A)(1) would get picked up and transferred to Entry No. 8H of GSTR 9.

Additional notes to consider

Table 8C considers ITC on inward supplies received during 17-18 but availed in April 18 to September 18. No such entry is there with respect to the import of goods on inward supplies received during 17-18 but availed in April 18 to September 18. Entry No. 8H auto populates data from 6E. The said 6E considers credit availed on the import of goods only for the period July 17 to March 18.

In the light of the aforesaid discussion, IGST availed only for July 17 to March 18 must be incorporated in Table 8H (which would get auto populated from Table 6E). This value is

comparable with IGST paid on the import of goods from July 17 to March 18. Thus, the periods get matched.

The IGST paid on the import of goods in March 18 could have been availed in April 18 (i.e. IGST paid on the import of goods in the previous financial year may be availed in the subsequent financial year). In such cases, there would be a difference since IGST paid in March 18 would come in 8G of GSTR 9 for FY 17-18 whereas IGST availed in April 18 would come in 8H of GSTR 9 of FY 18-19 (since 8H auto populates data from 6E and since 6E data is to be procured from data entered in GSTR 3B for the FY for which GSTR 9 is being prepared). The differential figure in 8I would be positive for the FY 17-18 and thus not a cause of concern whereas other things remaining constant, the differential figure in Entry No. 8I would be a negative value for 2018-19. The reason for the same would have to be substantiated to the department since negative values may attract letters/ notices from the department seeking reason for the same.

Conclusion

Clause 8H aims to set out availment of IGST on imports and supplies from SEZ as against available ITC on imports (ITC become available on payment of IGST), just like 8B for domestic supplies.

Sl. No. 8I: Difference 8G-8H¹⁰

8I	Difference (G-H)				
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Introduction

Sl. No. 8I is not a data entry field. 8I merely shows the difference between IGST paid on the import of goods, as reduced by IGST claimed on the import of goods (as per Table 6E and therefore as per GSTR 3B). Since 8H - IGST claimed on import of goods receives data from GSTR 3B, the data in this Table is restricted to a particular financial year. As a corollary data to be compared in 8H also ought to be for a financial year. Only then would the comparison provide meaningful results. Thus, the difference in 8I would only be with respect to IGST on the import of goods for a particular financial year. There would be no spill-over effect of April 18 to September 18 to deal with in the difference column in Table 8D.

Analysis

The difference in Table 8I may either be a positive figure or a negative figure. The reason the figure may be negative has already been discussed *supra* in 'notes to consider under Table 8H'. The differential figure when positive, may broadly consist of the following:

- IGST paid as per Table 8G, which is eligible but not availed as per Table 8H
- IGST paid as per Table 8G, which is in-eligible and hence not availed as per Table 8H

¹⁰ Clarification sought from the Government.

Illustration: Refer to the Consolidated Illustration at the end of this Chapter*Notes to consider*

The differential figure in Table 8I may be negative, if mistakes are committed in the preparation of Table 4(A) (1) of GSTR 3B. Apart from genuine reason of IGST paid in the previous financial year but claimed in the subsequent financial year (for which the Bill of Entry wise data must be procured), leading to negative figure in Table 8I, all other differences need to be investigated. The reason for difference in Table 8I, substantiated in the form of line item wise data of the Bill of Entry must be prepared by the tax payer to validate the differential figure since Bills of Entries on which credit is eligible for the financial year 2017-18 may be availed in April 2018 to September 2018.

Additional notes to consider

As per the original scheme of the law, ITC on imports of goods was required to be entered in GSTR-2 as per section 38(2). However due to GSTR-2 being kept in suspended animation, IGST credit on import of goods is being taken in Table 4A.1 of GSTR-3B. Such IGST paid by a registered person on the import of goods does not travel through GSTR-2A. Further, as per Section 38(5) any errors or omissions in GSTR-2 can be redressed till the date of furnishing of return under Section 39 for the month of September following the end of the financial year (and not due date of furnishing return for September) or date of furnishing of relevant annual return whichever is earlier. It may further be noted that GSTR-3 and not GSTR-3B is the return u/s 39. GSTR-3B stems out of Rule 61(5) and after amendments carried out in Rule 61(5), it is no longer a return "in lieu of" GSTR-3. Further due to the suspension of GSTR-2 itself, the cover of outer time limit u/s 38(5) is also not available for GSTR-2, which results in ITC on imports remaining uncapped in terms of time lines, should a registered person seek to take such a stand. However, it is cautioned that such a stand would definitely be precipitated by the revenue and would have to be tested in the Courts of law.

Conclusion

The value in Sl. No. 8I may either be positive or negative. The tax payer ought to be very cautious if the value is negative and be ready with the reasons for this along with documentary evidence in the form of a working sheet supported by the necessary bill of entry.

Clause J of Sl. No.8: ITC available but not availed on import of goods¹¹

8J	ITC available but not availed on import of goods (Equal to I)				
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Introduction

Entry No. 8J deals with IGST paid on the import of goods, which has lapsed.

¹¹ Clarification sought from the Government.

Analysis

Though Entry No. 8J reads as 'ITC available but not availed on import of goods', in effect it is related to input tax credit available on the import of goods which has lapsed since the amount entered in 8J has lapsed as per 8K.

Goods imported into India and supplies made by SEZ to DTA, under a cover of the bill of entry is liable to IGST as per proviso to S.5(1) of IGST Act r/w S.7(5) of IGST Act r/w S.3(7) of CTA. However, not all goods imported are in the nature of inputs or capital goods and hence eligible as credit. Credit may not be available on the import of following goods:

- (a) Goods imported which are not intended to be used in the course of business as per S.16(1)
- (b) Goods imported which are used entirely for non-business purposes as per S.17(1)
- (c) Goods imported which are used exclusively for exempt supplies as per S.17(2) and S.17(3)
- (d) Goods imported which are blocked as credit u/s 17(5)
- (e) Goods imported which consist of telecommunication towers

IGST paid on imported goods, available but not availed and credit is ineligible should be entered here, though the entry heading reads as 'ITC available but not availed on import of goods' since IGST value entered under this heading would lapse as per 8K of GSTR 9.

SI. No. 8K: Total ITC to be lapsed in current financial year (E+F+J)

K	Total ITC to be lapsed in current financial year (E + F + J)	<Auto>	<Auto>	<Auto>	<Auto>
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Table No.	Instructions
8K	The total input tax credit which shall lapse for the current financial year shall be computed in this row.

Introduction

This is merely an aggregate of total credit lapsed in 8E, 8F and 8J

Analysis

ITC from the following fields is consolidated as lapsed:

8E: Eligible ITC available but not availed arising out of difference between GSTR 2A (Table 3 and Table 5) and Point 4A.5 of GSTR-3B

8F: Ineligible ITC available but not availed arising out of difference between GSTR 2A (Table 3 and Table 5) and Point 4A.5 of GSTR-3B

8J: ITC on IGST paid on imports and supplies from SEZ as reduced by ITC availed on imports in Table 4A.1 of GSTR-3B

There could be cases where ITC on inward supplies, received during 17-18 but availed after September 18 should be lapsed as per S.16(4). There must be a mechanism put in place to lapse the same and a mechanism to determine and quantify such lapsed credit. There is no such mechanism in GSTR 3B/ GSTR 2A (returns in vogue). Table 8 provides the machinery provision and reporting mechanism to determine and disclose lapsed credit.

There must also be a mechanism to determine eligible and in-eligible credit from amongst the total credit available to an assessee. Table 4(A)(D) no doubt provides the reporting mechanism for the same. However Registered Persons may have reported only the eligible credit and availed the same while they have completely ignored and failed to report ineligible credit in Table 4(A)(D). This mistake is brought to the fore by Table 8 and also rectified in the forms of entries in Table 8E and 8F notwithstanding the fact that the ineligible credit has not been disclosed in GSTR 3B since Table 8 of GSTR-9 starts from GSTR 2A (which includes both eligible and ineligible credit).

Notes to consider

This field is only a calculative field. Hence the errors committed in other fields shall also travel to this field.

Additional notes to consider

Only the ITC available and not availed coming from 8E, 8F and 8J has been directed to be lapsed. ITC on reverse charge including ITC on import of service is not being reported in Table 8 and hence not being lapsed under Table 8. Merely because the said credits are not being subject to reporting purposes in Table 8 does not mean that the said credit would not lapse, if the said credit is not availed within the timelines set out in section 16(4) of CGST Act, 2017.

Conclusion

ITC on domestic inward supplies (both goods and services) subject to forward charge, IGST available as ITC on import of goods including supply of goods from SEZ is only being reported in Sl. No. 8. ITC on reverse charge on domestic inward supply of goods and services and import of service though not being reported in Sl. No.8 would lapse, if it does not meet the time lines set out in Section 16(4) of CGST Act, 2017.

Consolidated Illustration for Table 8 of GSTR-9**Details available:**

- (a) Total Credits claimed in GSTR-3B
- CGST: Rs. 20,000
 - SGST: Rs. 20,000
 - IGST: Rs.15,000
- (b) Out of the above the following is the ineligible credit
- CGST: Rs. 500
 - SGST: Rs.500
- (c) Credit reflecting in GSTR-2A
- CGST: Rs.8,000
 - SGST: Rs.8,000
 - IGST: Rs.25,000
- (d) IGST on the Import of Goods
- Claimed in GSTR-3B: Rs.12,000
 - As per the Books of accounts: Rs.16,000
- (e) ITC of FY 2017-18 claimed in the month of April'18-
- IGST: Rs.2,000

Table 8 of GSTR-9

8	Other ITC related information				
	Description	Central Tax	State Tax/UT Tax	Integrated Tax	Cess
A	ITC as per GSTR-2A (Table 3 & 5 thereof)	8,000	8,000	25,000	-
B	ITC as per the sum total of 6(B) and 6(H) above	20,000	20,000	15,000	-
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 but availed during April to September 2018	-	-	2,000	-

D	Difference [A-(B+C)]	(12,000)	(12,000)	8,000	-
E	ITC available but not availed (out of D)	0	0	8,000	-
F	ITC available but ineligible (out of D)	0	0	-	-
G	IGST paid on the import of goods (including supplies from SEZ)	-	-	16,000	-
H	IGST credit availed on the import of goods (as per 6(E) above)	-	-	12,000	-
I	Difference (G-H)	-	-	4,000	-
J	ITC available but not availed on the import of goods (Equal to I)	-	-	4,000	-
K	Total ITC to be lapsed in current financial year (E + F + J)	0	0	12,000	-

Note: Zero has been inserted in 8E and 8F because credit of Rs.12,000 is available, eligible and availed by the registered person. However, the supplier has not uploaded the invoices in GSTR 2A making the values negative.

Illustration if negative difference at 8D is taken as zero

Table 8 of GSTR-9

8	Other ITC related information				
	Description	Central Tax	State Tax/UT Tax	Integrated Tax	Cess
A	ITC as per GSTR-2A (Table 3 & 5 thereof)	8,000	8,000	25,000	-
B	ITC as per the sum total of 6(B) and 6(H) above	20,000	20,000	15,000	-
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) during 2017-18 but availed during April to September 2018	-	-	2,000	-
D	Difference [A-(B+C)]	0*	0*	8,000	-
E	ITC available but not availed (out of D)			8,000	-
F	ITC available but ineligible (out of D)	0	0	-	-

G	IGST paid on the import of goods (including supplies from SEZ)	-	-	16,000	-
H	IGST credit availed on the import of goods (as per 6(E) above)	-	-	12,000	-
I	Difference (G-H)	-	-	4,000	-
J	ITC available but not availed on the import of goods (Equal to I)	-	-	4,000	-
K	Total ITC to be lapsed in the current financial year (E + F + J)	0	0	12,000	-

Note: Mathematically it should be negative but taken at zero as per discussion here in above on 8D.

Sl. No. 9: Details of tax paid as declared in the returns filed during the Financial Year

9	Description	Tax Payable	Paid through cash	Paid through ITC			
				Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6	7
	Integrated Tax						
	Central Tax						
	State/UT Tax						
	Cess						
	Interest						
	Late fee						
	Penalty						
	Other						

Instruction: Part IV is the actual tax paid during the financial year. Payment of tax under Table 6.1 of FORM GSTR-3B may be used for filling up these details.

Introduction

After capturing details relating to outward supplies in Part II and details of Input tax Credit availed and reversed in Part III of GSTR 9, Part IV requires the person filing an Annual Return to report the details of tax, interest, late fee, penalty and other amounts payable and paid thereon on a cumulative basis for the financial year (in case of the Financial Year 2017-18 it should be considered and read for the period of July 2017 to March 2018 only).

The purpose of point number 9 in Part IV is to get the consolidated value of tax liability self-assessed and discharged in the monthly returns by the Registered Person for the period for which the Annual Return is being filed. The given details along with differential tax details declared in Sl. No. 14 in Part V of the Form shall assume the total tax liability for the financial year which is calculated, declared and discharged by the Registered Person up to the date of filing the Annual Return. The given details shall be useful while filing the reconciliation statement in GSTR 9C for the Registered Person for calculating the actual tax liability for the financial year.

Analysis

➤ Source of Information

The Government has conceptualized that amounts to be entered in various columns of GSTR 9 should be the summation of details filled by the Registered Person in the monthly GSTR returns (i.e. GSTR 1 and GSTR 3B, wherever applicable) for the financial year. The details in this clause may be taken from details in Table 6.1 of GSTR 3B filed for July 2017 to March 2018. Reference may be had to the introduction to GSTR 9 where details furnished in the returns are required to be furnished from the returns filed for the year 2017-18 whether during the year or belatedly but not for the months of 2018-19.

➤ **Validation of Information**

(A) For tax Payable and tax Paid

Information required in this clause is of 'tax payable' and 'tax paid' (by cash or credit). Table 6.1 of GSTR 3B is meant for collecting information and including it here. The Table also contains 'tax payable' and 'tax paid'. Experts have opined that 'actual tax paid' alone must be obtained from that Table and reported in this clause. As regards 'tax payable', the same must be in alignment with taxable turnover in Sl.No.4, particular 4M of GSTR 9. And if 'tax payable' is reproduced from GSTR 3B, it would be mere repetition of information and without any chance to rectify it later in GSTR 9C.

Accordingly, where taxable turnover reported in GSTR 1 and GSTR 3B are in agreement with each other, there would be no 'new' tax liability identified for the first time in GSTR 9. However, where they are not in agreement, which is often the case, taxable turnover reported

in GSTR 1 and that on which tax is actually discharged through GSTR 3B may not be in agreement. It is for this reason that Sl.No.9 captures 'tax payable' based on GSTR 1 (4M) but 'tax paid' based on GSTR 3B (6.1).

Now, on a quick reference to instructions against Sl.No.9Q (of GSTR 9C) will reveal that 'tax payable' must flow from clause 9 along with taxes admitted against 10 and 11 of GSTR 9. Tax payable, therefore, could not be based on the actual GSTR 3B (so as not to continue the error in GSTR 9C but put to rest by Registered Person admitting short-payment and by Auditor verifying the same in the reconciliation. From this, it is clear that 'tax payable' is a conclusion that is being reached in this Annual Return and must be correctly admitted by the Registered Person and 'tax paid' cannot be anything more than that already discharged from time to time vide GSTR 3B.

Hence, column (2) would be derived based on 4N but column (3) would flow from 6.1 of GSTR3B.

A) For Interest Payable and Paid

For reporting the amount of interest under the given column, interest actually admitted and paid must be reported here.

The details of interest actually paid under Section 50 can be captured from Table 5.1 of GSTR 3B filed for the financial year. Further, the details of interest paid, to be reported in Part IV of GSTR 9 can also be cross verified with Credit and Debit relating to interest in Electronic tax Liability Register.

B) For Late Fees Payable and Paid

For reporting Late Fees duly paid during the period July 2017 to March 2018 for late filing of any of the GST Returns on which Late Fees was levied and paid by the Registered Person, Table 6.1 of GSTR 3B shall be used.

Further, the details of Late Fee to be reported in Part IV of GSTR 9 can also be cross verified with Credit and Debit relating to late fee in Electronic tax Liability Register.

C) For Penalty and Other Dues Payable and Paid.

In GSTR 3B, there is no Table specified for payment of any Penalty or Other Dues. However, under the law there can be instances where a person filing an Annual Return might have paid penalty due to various instances such as like for causing movement of goods in violation of provisions of Rule 138 or due to any order passed by proper officer etc. Since only details relating to liabilities disclosed in monthly returns are to be reported in GSTR 9, no details of penalty or Other Dues should be reported in Part IV of Table 9 at least for the year 2017-18.

Illustration

Please specify what actions should be taken while reporting amounts in Table-9 of GSTR 9 and any further action to be taken through GSTR 3B, in the following cases:

- (a) Value of taxable supply pertaining to February 2018 amounting to Rs. 100,000/- with IGST of Rs. 5,000/- was reported in GSTR 1 of February 2018 and in GSTR 3B of April 2018.

Ans. Tax Payable of Rs. 5,000 to be reported in tax Payable Column of Table 9 (since already showed in in Table 4N of GSTR 9). Tax Paid cannot be shown in Table 9 since it is not shown in GSTR 3B filed up to March 2018. It is advised that details of such tax paid should be shown in Table 14 under the Column tax Paid (Since no other location is appropriate to disclose the same). The details of tax Payable in Table 14 should be shown as Nil or 0.

- (b) Value of taxable supply pertaining to February 2018 amounting to Rs 100,000/- with IGST of Rs 5,000/- was reported in GSTR 1 of April 2018 and in GSTR 3B of February 2018.

Ans. Tax Payable of Rs 5,000 cannot be reported in Table 9 (since it is not shown in Table 4N of GSTR 9). It shall be disclosed through Table 10 and subsequently under Table 14 under the column "Tax Payable". Tax paid should be shown under Table 9 under the column tax paid. However, the details of tax Paid in Table 14 should be Nil or Zero (against the reporting of tax Payable in Table 14).

- (c) Value of taxable supply pertaining to February 2018 amounting to Rs 100,000/- with IGST of Rs 5,000/- was reported in GSTR 1 of April 2018 and in GSTR 3B of April 2018.

Ans. Tax Payable of Rs 5,000 cannot be reported in Table 9 (since it is not shown in Table 4N of GSTR 9). It shall be disclosed through Table 10 and then subsequently under Table 14 under the column "Tax Payable". Tax paid details shall also be disclosed in Table 14 only.

- (d) Value of taxable supply pertaining to February 2018 amounting to Rs 100,000/- with IGST of Rs 5,000/- was identified after September 2018.

Ans. No disclosure should be made in GSTR 9 at any point since the disclosure of Tax Payable or Tax paid was not made either in GSTR 1 or GSTR 3B. The liability can be paid any time in the next returns.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- o The Tax Liability Register, the Input Tax Credit Ledger and the Cash Ledger should be

used as a basis for validating the amounts relating to payment of tax, Interest and Late Fee disclosed in the GSTR 3B.

- o The amounts reported in GSTR 3B filed for the period July 2017 to March 2018 should only be considered for punching data in the given Part of GSTR 9.
- o The details of Tax Payable are based on details of Outward Supplies reported in Table-4 under Part-II of GSTR 9. Since details in Part-II are dependent on details entered in GSTR 1 for July 2017 to March 2018 hence complete details of the same should be entered in Table 4.

Additional notes to consider

In cases, where the value of taxable supply has been disclosed correctly up to March 2018 in GSTR 1 but the tax on such supply has been discharged after March 2018 before filing of GSTR 3B of September 2018 a note should be mentioned with GSTR 9 explaining that tax as paid through GSTR 3B of April 2018 to September 2018 has been shown in Table 14 under Part V there was no other appropriate Table for this.

Table 10: Supplies / tax declared through Amendments (+) (net of debit notes)

	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
10	Supplies / tax declared through Amendments (+) (net of debit notes)					

Introduction

As already discussed in 'Introduction to Part II' items to be reported in Table 10 are:

- (a) Additional Invoices related to 2017-18 but reported in the GSTR 1 returns for the months April 2018 to September 2018;
- (b) Debit notes dated before Mar 31, 2018 omitted in 2017-18 and reported in the returns for the months of April 2018 to September 2018
- (c) Amendments to invoices related to 2017-18 and reported (with errors) in the GSTR 1 for 2017-18 but now reported (duly rectified) in the returns for the months of April 2018 to September 2018

Please note that returns 'for' the month may well be filed on-time or belatedly. It would still remain returns 'for' the month. While considering in this clause, data reported 'for' 2017-18 but in GSTR 1 'for' 2018-19 alone is to be reckoned. Any data reported 'for' 2017-18 belatedly does not become GSTR 1 'for' 2018-19'.

Analysis

Analysis of due dates for amending returns filed during the financial year 2017-18.

Returns	Time limit
GSTR 1 and GSRT-2	As per the proviso to Section 37(3) and 38(5) - Due date is upto the date of furnishing return under section 39 (i.e. GSTR -3) for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.
GSTR 3	As per the Proviso to section 39(9) - Due date for furnishing of return for the month of September (i.e. GSTR 3) following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.
GSTR -3B	As per Circular No. 7/7/2017-GST dated 1 st September 2017 by filing corresponding month GSTR 1, GSTR 2 and GSTR 3 and as per Circular No. 26/26/2017-GST rectification can be done in subsequent monthly returns (i.e. GSTR 3B) but no end date is specified for such rectification.

From combined reading of the above Table, time limit for rectification of returns relating to financial year 2017-18 is up to the due date of furnishing of GSTR 3 for the month of September following the relevant financial year or filing annual returns whichever is earlier. A view could be taken that since due date for filing GSTR 3 is yet to be notified, due date for rectification of returns would always be the date of filing annual return for the FY 2017-18. However, care must be exercised to take up this matter suitably as the same would appear in 8K of GSTR 9.

➤ Source of information for SI. No 10 of Part –V

All information reported here must flow from GSTR 1 filed after the financial year till the due date of filling returns for September 2018 or the annual return, whichever is earlier. As such, working notes for the preparation of GSTR 9 will involve the summation of data from GSTR 1 filed for April 2018 to Sep 2018 or the date of filing the annual return, whichever is earlier.

➤ Validation of information

Information in 10 of GSTR 9 would be corrections of errors of omission or commission made during the year 2018-19 (up to Oct 31, 2018 or 31 Dec 2018) in GSTR 1 in respect of such

supplies which increases the total value of supplies, it reduces the value of supplies then it should be reported in Sl.No.11. Any debit notes both B2B and B2C dated prior to March 31, 2018 but reported in 2018-19 (up to Oct 31, 2018) in GSTR 1 with respect to the original supply reported in 2017-18 should only be considered for deriving the final value to be disclosed in Sl.No.10.

However, debit notes dated after April 1, 2018 would continue to be reflected in 2018-19 and not be introduced back into transactions pertaining to 2017-18 because the circumstances necessitating credit note and debit note would have arisen only in 2018-19.

Further debit notes relating to 2016-17 and upto June 30, 2017 that are issued after July 1, 2017 are to be considered in 2017-18 as provided in Section 142(2)(a) and (b) of the CGST Act in respect of such overlapping transactions.

It is suggested that the following precautions should be taken while reporting of correct values:

- (a) Only debit note dated within the financial year 2017-18 should be considered.
- (b) Credit note should not be considered for Sl.No.10. It should be considered for Sl. No 11 of Part V.
- (c) Debit note issued in respect of both B2B and B2C transactions should be considered.
- (d) All the amendments or additions to supplies which increase the turnover should be considered.
- (e) If the effect of amendment is to reduce the total turnover, then it should be considered in Sl.No.11

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 10 would be as follows:

Category of supply	Relevant Table of GSTR 1
Amendment to B2C which increase the total turnover	Table 10
Amendment to B2B supplies which increasing the total turnover	Table 9A
Amendment to B2C large inter-State invoice which increases total turnover.	Table 9A
Amendments to zero rated supplies which increases total turnover.	Table 9A
Amendments to debit notes which have effect of increasing total turnover.	Table 9C
Additional debit notes dated 2017-18 declared after FY within due date	Table 9B

Illustration

Particulars	Reporting in GSTR 9
1. Tax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as Rs. 10,000/- in July returns Scenario -1 Amended in March 18 GSTR 1 Scenario -2 Amended in Aug 2018 GSTR 1	Scenario -1 Sl.No.4B – Rs.10,000/- Sl. No 4K –Rs.90,000/- Scenario -2 Sl.No.4B – Rs.10,000/- Sl. No 10 – Rs.90,000/-
2. Tax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as 1,00,000/- in July returns and debit note issued on 5 th Aug 2017 for Rs.10,000/- Scenario -1 debit note considered in Aug-17 GSTR 1 Scenario -2 debit note missed for consideration in Aug-17 GSTR 1 but considered in March -18 GSTR 1 Scenario-3 debit note missed for consideration in Aug-17 GSTR 1 but considered in April -18 GSTR 1	Scenario -1 Sl.No.4B – Rs.1,00,000/- S. No 4J –Rs.10,000/- Scenario -2 Sl.No.4B – Rs.1,00,000/- Sl. No 4J –Rs.10,000/- Scenario -3 Sl.No.4B – Rs.1,00,000/- Sl. No 10 –Rs.10,000/-
3. Tax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as Rs. 1,00,000/- in July returns and debit note issued on 5 th April 2018 for Rs.10,000/- Scenario -1 debit note considered in April-18 GSTR 1 Scenario -2 debit note missed for consideration in April-18 GSTR 1 but considered in Sep -18 GSTR 1	Scenario -1 Sl.No.4B – Rs.1,00,000/- Sl. No 4J – Nil Sl.No.10- Nil (debit note dated 5 th April to be considered in the annual returns of FY18-19) Scenario -2 Sl.No.4B – Rs.1,00,000/- Sl. No 4J –Nil Sl.No.10- Nil

Issues

1. All the rectification carried out for supplies made during the year 2017-18 by way of addition or amendments up to the date of filing annual returns should be compiled and reported in Sl.No. 10 and 11 of part V of GSTR 9. Credit Note dated 5th April 2018 issued in relation to supply dated 10th Oct 2017 reported in April month GSTR 1 as this is a transaction of 2018-19 and cannot be pulled back into 2017-18 even though the

event leading to issuance of credit note takes place before the Annual Return is filed. In fact, in clause 5E, it is clearly stated that 'in case' such shifting of transactions between financial years is done, then the same needs to be set right.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- For a clear demarcation, it should be ensured that such amounts do not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns.
- Date of original invoice and original invoice serial number is very important in updating SI.No.10. The entire debit note updated after FY 17-18 till the due date for rectification of returns would have reference of original invoice issued during the FY 2017-18. The same should be verified carefully.
- Only rectifications of the B2C and B2B amounts should have been reported in the GST returns upto the tax period March but those reported after FY should only be considered in this Table.

Conclusion

Therefore SI.No.10 of GSTR 9 contains:

- (a) Debit notes dated FY 17-18 but reported after FY (Table 9B of GSTR 1).
- (b) Additions/Amendment to supplies reported in Table 10 (B2C) and Table 9A(B2B) and 9C of GSTR 1 (amendments to debit notes and credit notes) which have effect of increasing the total turnover.

SI. No. 11: Supplies / tax reduced through Amendments (-) (net of credit notes)

	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
11	Supplies / tax reduced through Amendments (-) (net of credit notes)					

Table No.	Instructions
10 & 11	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 9A, Table 9B and Table 9C of FORM GSTR-1 of April to September of the current financial year or date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.

Introduction

As already discussed in 'Introduction to Part II' items to be reported in Table 11 are:

- (a) Credit notes dated 2017-18 and reported in GSTR 1 'for' 2017-18 but reported in the returns for the months April 2018 to September 2018
- (b) Amendments to invoices related to 2017-18 and reported (with errors) in the GSTR1 for 2017-18 but now reported (duly rectified) in the returns for the months April 2018 to September 2018

Please note that returns 'for' the month may well be filed on-time or belatedly. It would still remain returns 'for' the month. While considering in this clause, data reported 'for' 2017-18 but in GSTR 1 'for' 2018-19 alone is to be reckoned. Any data reported 'for' 2017-18 belatedly does not become GSTR 1 'for' 2018-19'.

Analysis

- Source of information for Sl.No. 11 of Part –V.

All information reported here must flow from GSTR 1 filed after the financial year till the due date of filling returns for September 2018 or the annual return whichever is earlier. As such the working notes for the preparation of GSTR 9 would involve the summation of data from GSTR 1 filed for April 2018 to Sep 2018 or the date of filing the annual return whichever is earlier.

- Validation of information.

Information in Table 11 of GSTR 9 would be corrections of errors of omission or commission made during the 2018-19 (up to Oct 31, 2018 or 31 Dec 2018) in GSTR 1 in respect of such supplies which reduces the total value of supplies/tax. If it increases the value of supplies/tax, then it should be reported in Sl.No.10. Any credit notes both B2B and B2C dated prior to March 31, 2018 but reported in 2018-19 (up to Oct 31, 2018) in GSTR 1 in respect of the original supply reported in 2017-18 should only be considered for deriving the final value to be disclosed in Sl.No.11.

However, credit notes dated after April 1, 2018 would continue to be reflected in 2018-19 and are not to be introduced back into transactions pertaining to 2017-18 because the circumstances necessitating credit note and debit note would have arisen only in 2018-19.

Further credit notes relating to 2016-17 and up to Jun 30, 2017 that are issued after Jul 1, 2017 are to be considered in 2017-18, as provided in section 142(2)(a) and (b) of the CGST Act in respect of such overlapping transactions.

It is suggested that the following precautions should be taken while reporting of correct values and making them in consonance with each other:

- (a) Only credit note dated within the financial year 2017-18 should be considered.
- (b) Debit note should not be considered for Sl.No.11 it should be considered for Sl. No. 10 of Part V.
- (c) Credit note B2B and B2C should be considered.
- (d) All the amendments to supplies which reduce the turnover should be considered.
- (e) If the effect of amendment is to increase the total turnover/ tax, then it should be considered in Sl. No.10

The amounts that are to be reported can be directly derived from the Tables of GSTR 1. The various components of this Part 11 would be as follows:

Category of supply	Relevant Table of GSTR 1
Amendment to B2C which reduce the total turnover/tax	Table 10
Amendment to B2B supplies which reduce the total turnover/tax	Table 9A
Amendment to B2C large inter-State invoice which reduce the total turnover/tax.	Table 9A
Amendments to zero rated supplies which reduce the total turnover/tax.	Table 9A
Amendments to debit notes/credit notes which reduce total turnover/tax.	Table 9C
Additional credit notes dated 2017-18 declared after FY within the due date.	Table 9B

Illustration

Particulars	Reporting in GSTR 9
1.Tax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as Rs. 10,000/- in July returns Scenario -1 Amended in March 18 GSTR 1 Scenario -2 Amended in Aug 2018 GSTR 1	Scenario -1 Sl.No.4B – Rs.10,000/- Sl. No 4K –Rs.90,000/- Scenario -2

	Sl.No.4B – Rs.10,000/- Sl. No 10 – Rs.90,000/-
2.Tax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as Rs. 1,00,000/- in July returns and credit note issued on 5 th Aug 2017 for Rs.10,000/- Scenario -1 credit note considered in Aug-17 GSTR 1 Scenario -2 credit note missed for consideration in Aug-17 GSTR 1 but considered in March -18 GSTR 1 Scenario-3 credit note missed to for consideration in Aug-17 GSTR 1 but considered in April -18 GSTR 1	Scenario -1 Sl.No.4B – Rs.1,00,000/- Sl. No 4I –Rs.10,000/- Scenario -2 Sl.No.4B – Rs.1,00,000/- Sl. No 4I –Rs.10,000/- Scenario -3 Sl.No.4B – Rs.1,00,000/- Sl. No 11 –Rs.10,000/-
3.Rax invoice B2B dated 5 th July 2017 of Rs.1,00,000 reported as Rs. 1,00,000/- in July returns and credit note issued on 5 th April 2018 for Rs.10,000/- Scenario -1 credit note considered in April-18 GSTR 1 Scenario -2 credit note missed for consideration in April-18 GSTR 1 but considered in Sep -18 GSTR 1	Scenario -1 Sl.No.4B – Rs.1,00,000/- Sl. No 4I – Nil Sl.No.11- Nil (credit note dated 5 th April to be considered in annual returns of FY18-19 Scenario -2 Sl.No.4B – Rs.1,00,000/- Sl. No 4I –Nil Sl.No.11- Nil

Notes to consider

The following control checks should be performed for validation of the amounts reported under this head:

- For a clear demarcation one should ensure that such amounts do not belong to the earlier tax regime (Before 1st July 2017)
- The outward supplies register should be used as a basis for validating the amounts disclosed in the GST returns.
- Date of original invoice and serial number of original invoices is very important in updating Sl.No.11. The entire credit note updated after FY 17-18 upto the due date for rectification of returns would bear reference of the original invoice issued during the FY 2017-18. The same should be verified carefully.

- Only rectifications of the B2C and B2B amounts should have been reported in the GST returns up to the tax period March 2018; only rectification reported after the financial year should be considered.
- Further, GSTR 9 cannot be prepared on the basis of sample verification. No such exclusion is permissible here. Completeness must be ensured for the compilation of information as preparation of GSTR 9 is the duty of the Registered Person who cannot resile from his responsibility.

Conclusion

Therefore, Sl.No.11 of GSTR 9 contains:

- (a) Credit notes dated 17-18 but reported after FY (Table 9B)
- (b) Amendment to supplies reported in Table 10 (B2C) and Table 9A(B2B) and Table 9C of GSTR 1 (amendments to debit notes and credit notes) which have effect of reducing total turnover.

Sl. No. 12 Reversal of ITC availed during previous financial year

	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
12	Reversal of ITC availed during previous financial year					

Table No.	Instructions
12	Aggregate value of reversal of ITC which was availed in the previous financial year but reversed in returns filed for the months of April to September of the current financial year or date of filing of Annual Return for previous financial year, whichever is earlier shall be declared here. Table 4(B) of FORM GSTR-3B may be used for filling up these details.

Introduction

Sl. No. 12 of Part V of the GSTR 9 contains the summary of the input tax credit to be reversed that was availed during the previous financial year. The data to be tabulated relates to the input credit that was taken in the previous financial year and reversed during the period April 2018 to September 2018. The reversal may be for various reasons like erroneously taken credit or failure to make payments within the stipulated time. The amount of credit that needs to be reversed is to be disclosed in this column.

Analysis

➤ Source of information

The information to be disclosed in the column is linked to the GST returns filed between the month of April 2018 to September 2018 for the accounting transactions recorded in the books from July 2017 to the end of the financial year on 31st March 2018. The reference documents for the input credits would be the data from GSTR 3B and GSTR 2A along with the accounting records like the supplier's invoices, debit notes etc.

➤ Validation of Information

The input credit availed between July 2017 to March 2018 may have to be reversed post the completion of the financial year due to various reasons ((recognised in the financial year ensuing year on the following reasons??)):

- (a) *Reversal of Transitional credit:* During the implementation of the GST regime, the Government had provided for claiming of credits available in various forms in the Form TRAN-I and TRAN-II on a self-declaration basis. The transitional credit claimed may find a variance due to errors of omission and commission by a Registered Person. The same can be adjusted in this section. The possibility of errors in such credit taken were high since the transitional credit was taken on the basis of various statutory filings like the VAT returns, Service tax, Excise Registers. The credit was also taken by unregistered taxpayers of the erstwhile regimes for their stocks (tax suffered stock) to the extent of tax paid by them without adequate awareness of the laws.
- (b) *Credit wrongly claimed on items covered under section 17(5)*
- (c) *Non-reversal under Rule 42/43*

Revision required

The errors and omission which require a reversal are to be rectified in the GSTR 3B within the time limitation of the filing of returns, as non-revision may result in the denial of ITC, penalty and additional liability in the form of interest.

In case there is re-claiming of the input credit due to the tax payer complying with the GST, the same needs to be declared in the GSTR 1 and 3B returns.

Illustrations:

The following illustrations list the situations where the possible GST reversal of credit could arise:

- (i) Mr. Peter provided sales and services of automobiles as an unregistered tax payer under excise in the Central Excise regime. Under GST, he incorrectly claimed a transitional credit of Rs. 18,000/- on his stock in hand in TRAN-II. The Excise credit claimed needs to be reversed as there is no documentary evidence of the eligible input.
- (ii) Mr. Ranjan purchased a carriage in December 2017 for moving goods from his factory.

Mr. Ranjan was into both taxable and exempt supplies with a 70:30 ratio. However, reversal under Rule 43 was not carried out during 2017-18 but reversed in 2018-19 before September 2018.

Notes to consider:

- (a) The TRAN-I and TRAN-II credit taken at times is not verified with valid invoices for the amount eligible.
- (b) Bifurcation of eligible credit for taxable and exempt supplies for capital goods is never carefully divided nor followed in terms of the continuity of proportionality.

Additional notes to consider

A Table needs to be prepared on the reversal of credit done under the various provisions of the GST Act and Rules and working papers needs to be checked with the GSTR 9 column 7A to 7H. The working sheets need to be retained as the same would be needed while filing the annual return of the Financial Year 2018-19.

TRAN-I and TRAN-II should be referred to for the correctness of the input credit taken on transitional basis.

Capital goods input credit availment ratio should be re-visited to ensure the correctness of the input credit claimed.

Conclusion

The provisions of reversal of credit and re-claiming of the credit in the GSTR 9 needs to be properly documented and also retained as the effect of the same extends to different financial years. The various inadvertent errors or common errors of omission and commission are also taken care of with the provisions of reversal.

Sl. No. 13: ITC availed for the previous financial year

	Description	Taxable Value	Central Tax	State Tax /UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
13	ITC availed for the previous financial year					

Table No.	Instructions
13	Details of ITC for goods or services received in the previous financial year but ITC for the same was availed in the returns filed for the months of April to

	September of the current financial year or date of filing of Annual Return for the previous financial year whichever is earlier shall be declared here. Table 4(A) of FORM GSTR-3B may be used for filling up these details.
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Introduction

Section 16(4) provides that credits relating to a particular financial year needs to be claimed within the due date of filing the returns for September of the subsequent financial year or the date of filing the annual return whichever is earlier. This Table requires the taxpayer to declare the details of ITC claimed by him in the subsequent year (April to September, 2018) which relates to the previous year 2017-18.

Analysis

➤ Source of information

All credits claims are reported in a statement in GSTR 3B filed 'for' each month. For credit relating to inward supplies 'for' July 2017 to March 18, the same would be reported in GSTR 3B for each month. However, when inward supplies for July 2017 to March 2018 are not so claimed and reported in GSTR 3B 'for' the months April to September 2018, this information is to be reported in Sl.No.13. This information would be available in Table 4(A) of the said GSTR 3B.¹²

➤ Validation of information

A registered Person can verify GSTR 3B relating to April to September 2018 and compare with the inward supplies dated July 2017 to March 2018. One may also validate this information with GSTR 2A relating to July 2017 to March 2018.

Illustration

For instance, if a registered person fails to claim input tax credit, say, for the tax period February 2018 but declares the same in the return relating to May 2018, then as stated above, this information is to be validated with GSTR 3B for the tax period May 2018 and GSTR 2A for the tax period February 2018 and reported in this Sl.No.13.

Notes to Consider

1. Credit can be claimed for 2017-18 in any month during 2017-18 or 2018-19 (up to September). If credit is delayed and considered as credit for 2018-19, there is no concern. However, if outward supplies did not get reported during 2017-18 and are reported in 2018-19, and this tax liability is settled with omitted credits, then all this should be reported and explained in this table

¹² The worksheets which form the basis for the figures reflected in the return, if available, would be useful. Otherwise documents dates may have to be verified.

2. Amounts (output tax and input credit) admitted to be related to 2017-18 but reported in 2018-19 (not through belated returns) should not be 'double counted' in both these years. Clearly reporting the year to which they belong to will help exclude the same in the Annual Returns for 2018-19.
3. A registered Person should validate the above information with the data available in GSTR 2A.

Sl. No. 14. Differential tax paid on account of declaration in 10 and 11 above

14	Differential tax paid on account of declaration in 10 & 11 above		
	Description	Payable	Paid
	1	2	3
	Integrated Tax		
	Central Tax		
	State/UT Tax		
	Cess		
	Interest		

Scope

After capturing details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but furnished in Table 9A, Table 9B and Table 9C of GSTR 1 of April 18 to September 18 for the F.Y. 2017-18 in Table 10 and 11 of GSTR 9, Table 14 aims to capture the details of differential tax liability, either increase or decrease, as the case may be, arising out of such reporting by the person filing the Annual Return. The Table 14 also captures whether the relevant additional tax arising has been paid or not. The details of Interest in respect of any additional tax payable and paid in Table 14 is also required to be disclosed here.

Purpose

The purpose of Sl. No. 14 in Part V is to get consolidated value of differential (increase or decrease) tax liability self-assessed and discharged in the monthly returns filed after March 2018 but up to September 2018, by the Registered Person for the period for which Annual Return is being filed. The given details along with details to be fed in Sl. No. 9 in Part IV of the Form shall deduce the total tax liability for the financial year calculated, declared and discharged by the Registered Person up to September 2018. The given details shall be useful for filing reconciliation statement in Form 9C for the Registered Person and also for calculating the deviation from the actual tax liability for the financial year.

Analysis

➤ Source of Information

No Instruction / Guidance has been given by the Government for filing of details in this clause 14. Hence, it has to be understood by the person filing an Annual Return on his own appreciation of the facts.

Since amounts of tax payable in Sl. No. 14 arises from details in Sl. No. 10 and 11, details of tax payable should net total of what has been reported in Table 10 and 11. For details of tax paid on differential liability disclosed, the reference to relevant GSTR 3B needs to be made.

➤ Validation of Information

(A) For tax Payable

Since under Table 9 of Part IV, the details of tax payable for details of supplies on which person filing the Annual Return is reported through the details of tax as derived in 4N, hence in a similar manner, for details of tax payable to be reported in 14, the net amount of tax reported in 10 and 11 should be considered. In case where the net effect of tax disclosed in 10 and 11 is negative i.e. where the amount of tax in Credit Note or reduction in taxable value reported in GSTR 1 of April 2018 to September 2018 is more than amount of tax in Debit Note or amount of taxable value to be increased then such amount shall be disclosed as negative amount in tax payable.

(B) For tax paid through Cash

In case, the amount of tax disclosed in 10 and 11 is positive or it causes an increase in liability of tax and such tax has been also paid in GSTR 3B filed for months from April 2018 to September 2018, then by finding out the exact details through a reconciliation sheet, the amount of tax paid should be mentioned.

Since in GSTR 3B, a single amount shall be shown in 6.1 for tax paid for liability self-assessed for the month for which GSTR 3B along with details of differential tax paid pertaining to FY 2017-18, a reconciliation for the total tax paid should be compulsorily kept by the person filing the Annual Return.

In case where the amount of differential tax liability is Nil or Negative or where the tax has already been paid in GSTR 3B filed for the period up to March 2018 for the differential tax disclosed in GSTR 1 between April 2018 to September 2018, no disclosure is required to be made in the column of tax Paid in 14 under Part V of GSTR 9.

(C) For Interest Payable and Paid

For reporting the amount of interest under the given column, the person filing an Annual Return needs to calculate the interest applicable under section 50 of the CGST Act. The

said interest needs to be calculated by identifying the exact months in which the additional tax liability should have been paid up to the month in which it is actually paid.

The details of Interest actually paid under section 50 can be captured from working prepared by the person filling the Annual Return for filling the Table 6.1 of the GSTR 3B filed between April 2018 to September 2018.

➤ **Revision Required**

The given part has been discussed with Table 9 under Part IV.

➤ **Illustration**

- (i) Details of tax payable amounting to Rs. 10,000/- under IGST has been reported in Table 10 and details of tax to be reduced amounting to Rs. 5,000/- under IGST has been reported in Table 11. The amount of total tax paid in GSTR 3B of July 2018 was Rs. 70,000/- which included the amount of tax paid under amendments amounting to Rs. 5,000/-.

How can this be disclosed in Table 14 of Part V of GSTR 9?

- Ans. The amount of Rs. 5,000/- shall be disclosed in tax payable under Column "Payable" in Table 14. The same shall be based on amounts entered in Table 10 and 11. Further a working should be kept by the Registered Person regarding the payment of tax paid through GSTR 3B for the month of July 2018 in which the regular tax was Rs. 65000/- and Rs. 5,000/- was paid in respect of liabilities reported for amendments.

- (ii) The other detailed Illustrations discussed with Table 9 under Part IV.

➤ **Notes to consider**

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- o The Tax Liability Register, the Input Tax Credit Ledger and the Cash Ledger should be used as basis for validating the amounts relating to payment of tax, Interest and Late Fees disclosed in the GSTR 3B.
- o The amounts reported in GSTR 3B filed for the period of July 2017 to March 2018 where tax or interest relating to additional tax liability on supplies reported between April 2018 to September 2018 in GSTR 1 should only be considered for punching data in given Part of GSTR 9.
- o The details of additional tax payable are based on details of Outward Supplies reported in Table-10 and 11 under Part-V of GSTR 9. Since details in Part-V are dependent on details entered in GSTR 1 for April 2018 to September 2018 hence complete details of same should be entered in Table 10 and 11.

- o A detailed working should be kept which should reconcile with books of accounts wherein the details of tax liability paid in GSTR 3B for current month and for previous months are mentioned. In case said working is not kept, the details of tax and interest paid in Table 14 shall be incorrect.
- o The details of tax paid should be disclosed in Table 14 only when additional tax is paid through GSTR 3B through returns of April 2018 to September 2018.

➤ *Additional notes to consider*

In cases where any differential tax is paid for additional tax liability as declared through Table 10 and 11, a note should be given with GSTR 1 specifying that amount of differential tax shown in Table 14 shall not match with details of tax paid in GSTR 3B and necessary working needs to be relied upon for the same.

➤ *Conclusion*

Thus, details to be entered in Table 14 under Part V of GSTR 9 contains details of tax Paid and Interest paid declared in GSTR 3B filed for the period of April 2018 to September 2018 and details of tax and Interest Payable on the basis of details entered in Table 10 and 11 under Part V of GSTR 9.

Sl. No. 15A to 15G: Particulars of demands and refunds

15	Particulars of Demands and Refunds							
	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							

E	Total demand of taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending out of E above							

Introduction

Sl. No. 15A to 15G of GSTR 9 requires particulars of refund of taxes and the demand of taxes for the relevant financial year to be reported under this head comprising of the following:

- (a) Total refund claimed in SI No.15A
- (b) Total refund sanctioned in SI No. 15B
- (c) Total refund rejected in SI. No. 15C
- (d) Total refund pending in SI No. 15D
- (e) Total demand of taxes in SI No. 15E
- (f) Total taxes paid out of the aforesaid demand of taxes in SI No.15F
- (g) Total demands pending out of the aforesaid demand of taxes in SI No.15G

The details of demand and remittance of interest, penalty, late fee and fine are also to be reported under the relevant heads in SI No.15E to 15G.

The refund claim includes unutilised input tax credit claimed as refund.

Analysis

(i) Refund of taxes

Sl. No. 15A: Total refund claimed: The aggregate value of refund of taxes claimed (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) under the GST Law during July 2017 to March 2018 has to be reported under this head which includes refunds claims which have been sanctioned, rejected or pending for processing comprises of the refund in any of

the following scenarios:

- (a) Refund of taxes paid in excess
- (b) Refund of balance in the cash ledger after payment of taxes
- (c) Refund of unutilised input tax credit in case of zero-rated supplies of goods/ services without payment of taxes
- (d) Refund of taxes paid in case of zero-rated supplies of goods/services with payment of taxes
- (e) Refund of taxes paid on account of deemed exports (where refund is claimed by the supplier)
- (f) Refund of taxes paid on account of deemed exports (where refund is claimed by the recipient)
- (g) Refund of taxes paid on account of supply of goods/ services made to a SEZ unit/ developer
- (h) Refund of unutilised input tax credit on account of inverted duty structure
- (i) Refund of pre-deposit
- (j) Refund of taxes paid where the transactions are considered as intra-state supplies, but which are subsequently considered as inter-State supplies
- (k) Provisional refunds received

Non-GST refund claims (i.e. refund claimed under erstwhile law) should not be reported here.

Sl. No. 15B: Total refund sanctioned: The aggregate value of the refund of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) sanctioned out of the total refund applied for the relevant financial year as reflected in the sanction orders has to be reported under this head. Refund granted and adjusted against any outstanding demand of taxes in Form GST RFD 07 should be disclosed here before the adjustment of demand of taxes. Further even the provisional refund (of 90%) sanctioned must be reported here. This is because Rule 91(2) clearly provides for sanctioning of the provisional refund by passing order in FORM GST RFD-04.

Sl. No. 15C: Total refund rejected: The aggregate value of the refund of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) rejected out of the total refund claimed for the relevant financial year has to be reported under this head. Cases where deficiency memo has been issued upon filing of refund application but order whether sanctioned or rejected has not been issued, should not be reported.

Sl. No. 15D: Total refund pending: The aggregate value of the refund of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) pending out of the total refund

claimed for the relevant financial year has to be reported under this head. In other words, the aggregate value of all refund applications for which acknowledgement has been received has to be reported under this head excluding the provisional refunds received. In case of export of goods with payment of tax, the shipping bill itself is treated as an application and hence if the refund amount is stated on the shipping bill but the amount is yet to be received, the same would also appear here.

Refunds during transition period:

It has to be ensured that the following refunds during the transitional period must be excluded from disclosure under the SI No.15A to 15D since they are processed as refund under the provisions of the erstwhile law:

- (a) Refunds claimed on or after 01st July 2017 in relation to the CENVAT credit, duty, tax, interest or any other amount paid under the erstwhile law.
- (b) Refund claimed on or after 01st July 2017 for the refund of taxes paid under the erstwhile law for the export of goods or services during the erstwhile regime or GST regime.
- (c) Refund claimed on or after 01st July 2017 for the refund of taxes paid under the erstwhile law in respect of services not provided.
- (d) Refunds on account of revision of returns filed under the erstwhile law.
- (e) Refunds on account of proceeding of appeal, review or reference relating to claim of CENVAT credit under the provisions of the erstwhile law initiated during the erstwhile regime or GST regime.

(ii) Demand of taxes

SI. No. 15E: Total demand of taxes: The aggregate value of the demand of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) along with interest and penalty for which an order confirming the demand has been issued by the adjudicating authority has to be reported under this head.

In the scenario where the order has been passed in GST RFD-07 by way of adjustment of the amount of refund against the outstanding demand under the GST, then, the demand of tax before adjustment against refund of tax would form part of the reporting under this head, if the demand has not been included earlier.

SI. No. 15F: Total taxes paid out of the aforesaid demand of taxes: The aggregate value of demands of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) paid along with interest, penalty and late fee out of the value of confirmed demand as declared in SI No.15E above has to be reported under this head.

In the scenario where the order has been passed in GST RFD-07 by way of adjustment of the amount of refund against the outstanding demand under the GST, then, the amount of such refund adjusted would form part of the reporting under this head.

SI. No. 15G: Total demands pending out of the aforesaid demand of taxes: The aggregate value of demand of taxes (CGST, SGST/UTGST, IGST and Cess to be disclosed separately) along with interest, penalty and late fee pending recovery out of the total demand of taxes, interest, penalty and late fee declared in SI No.15E above has to be reported under this head

Source of information

SI. No. 15A: Total Refund claimed

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15A	Total Refund claimed							

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.

Types of refunds claimed	Source of information
Refund of taxes paid in excess	Copy of the Form GST RFD-01 filed for the relevant period. A Certificate in Annexure 2 of FORM GST RFD-01 issued by a Chartered Accountant or a Cost Accountant to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person where the refund claimed is more than Rs. 2 lakhs.
Refund of balance in the cash ledger after payment	Copy of the Form GST RFD-01 filed for the relevant period. Screenshot of the balance of electronic cash ledger lying in

of taxes	GST portal as on the date of application of refund
Refund of unutilised input tax credit in case of zero-rated supplies of goods without payment of taxes	Copy of the Form GST RFD-01 filed for the relevant period Copy of the Form GST RFD-11 (LUT) filed for the relevant period Statement containing details of shipping bills or bills of export for the relevant period and copy of shipping bills
Refund of unutilised input tax credit in case of zero-rated supplies of services without payment of taxes	Copy of the Form GST RFD-01 filed for the relevant period Copy of the Form GST RFD-11 filed for the relevant period Letter of undertaking filed Statement containing details of relevant bank realisation certificates or Foreign inward remittance certificates for the relevant period
Refund of integrated tax paid in case of zero-rated supplies of goods with payment of taxes	To verify that the integrated tax has not been collected from the customer Statement containing details of shipping bills or bills of export for the relevant period and copy of shipping bills Copy of the Challan of remittance of taxes if paid by electronic cash ledger or proof of debit in electronic credit ledger where tax is paid utilising input credit
Refund of integrated taxes paid in case of zero-rated supplies of services with payment of taxes	Copy of the Form GST RFD-01 filed for the relevant period. Statement containing details of relevant bank realisation certificates or Foreign inward remittance certificates for the relevant period To verify that the integrated tax has not been collected from the customer Copy of the Challan of remittance of taxes if paid by electronic cash ledger or proof of debit in electronic credit ledger where tax is paid utilising input credit
Refund of taxes paid on account of deemed exports (where refund is claimed by the supplier)	Statement containing details of the relevant export invoices for the relevant period. <u>Proof of receipt of Goods by the Eligible Recipient:</u> <i>In case of Supply to Advance Authorisation Holder or EPCG Holder – Acknowledgment that Holder has received the goods should be obtained from the jurisdictional tax officer having jurisdiction over the said Holder</i>

	<i>In case of Supply to EOUs –</i> (a) <i>Copy of prior intimation in Form A issued by EOU in Form B format prescribed in Circular No. 14/14 /2017 – GST dated 06.11.2017</i> (b) <i>Copy of the tax invoice under which such supplies have been made by the supplier, duly endorsed by the recipient Export Oriented Unit that said deemed export supplies have been received by it</i> (c) <i>Verify record maintained in Form B format prescribed in Circular No. 14/14 /2017 – GST dated 06.11.2017</i> Undertaking from the Recipient of the Deemed Export that the Recipient has not taken Input tax Credit of the GST paid by the Supplier. To verify that the CGST / SGST or IGST has not been collected from the EOU. Undertaking from the Recipient of the Deemed Export that they shall not claim the refund of the GST paid by the Supplier as per N/N 49/2017 – Central tax dated 18th October 2017.
Refund of taxes paid on account of deemed exports (where refund is claimed by the recipient)	Copy of the Form GST RFD-01 filed for the relevant period. Statement containing details of the relevant export invoices for the relevant period.
Refund of taxes paid on notified inward supplies by Agency of UNO, MFI, UNO organisation, consulate or embassy	Copy of the GST RFD-10 filed for the relevant quarter.
Refund of integrated tax paid on account of supply of goods made to a SEZ unit/ developer	Copy of the Form GST RFD-01 filed for the relevant period Statement containing the details of the relevant invoices along with the evidence regarding the endorsement by the specified officer of the Zone. To verify that the integrated tax has not been collected from the customer A declaration to the effect that the SEZ Unit/ Developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both, in a case where the refund is on

	account of supply of goods or services made to a SEZ Unit/ Developer
Refund of taxes paid on account of supply of services made to a SEZ unit/ developer	Copy of the Form GST RFD-01 filed for the relevant period Copy of approval issued by the Development Commissioner of SEZ listing the services for authorized operation. Statement containing the details of relevant invoices along with the evidence regarding the endorsement by the specified officer of the Zone To verify that the integrated tax has not been collected from the customer A declaration to the effect that the SEZ Unit/ Developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both, made to a SEZ Unit/ Developer
Refund of unutilised input tax credit on account of inverted duty structure.	Copy of the Form GST RFD-01 filed for the relevant period Statement containing the details of relevant invoices received and issued for the relevant period
Refund of pre-deposit	Copy of the order allowing the appeal by the First Appellate Authority or Appellate Tribunal or High Court or Supreme Court
Refund of taxes paid on the transactions considered as intra-state supplies, but is subsequently held as inter-state supplies.	Copy of the Form GST RFD-01 filed for the relevant period Statement showing details of transactions considered as intra state supply which has subsequently been held as interstate supply
Provisional refund received	Copy of the Form GST RFD-01 filed for the relevant period Copy of Form GST RFD 04

Sl. No. 15B: Refund sanctioned:

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15B	Total Refund sanctioned							

The provisional order sanctioning the refund in Form GST RFD-04 for the relevant period along with the payment advice in Form GST RFD-05.

The final order in Form GST RFD-06 sanctioning the refund amount for the relevant period can be scrutinised in case of refund claimed in case of the following scenarios:

- (a) zero-rated supply of goods or services or both made by Registered Persons.
- (b) Refund on account of deemed export
- (c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;
- (d) Refund of taxes paid on the transactions considered as intra-state supplies, but is subsequently held as inter-state supplies.
- (e) the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or
- (f) the tax or interest borne by such other class of applicants as the Government may, on the recommendations of the Council, by notification, specify.

Sl. No. 15C: Total Refund rejected:

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15C	Total Refund Rejected							

The aggregate value of the refund rejected in the final order in Form GST RFD-06 can be scrutinised in case of the aforesaid scenarios.

It has to be ensured that the amount of refund rejected has been credited to the electronic credit ledger by an order made in Form GST PMT-03 in case where the rejection of refund does not involve unjust enrichment and the refund claim was for unutilized input tax credit.

Sl. No. 15D: Total refund pending:

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15D	Total Refund Pending ¹³							

¹³ Where part of the refund claimed has been sanctioned, and assessee has filed an appeal for the balance, it may have to be reflected as the claim pending till it is finally given up as not receivable

Verification of the acknowledgement of all Forms GST RFD-02 filed during July 2017 to March 2018 should be compared with the refund order sanctioned / rejected to check to arrive at refund amount pending. The provisional refunds received have to be excluded for the purposes of reporting under this head. The rejected refunds which are appealed against should be disclosed here.

Sl. No. 15E: Total demand of taxes

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15E	Total demand of taxes							

Table No.	Instructions
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand as declared in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.

The order confirming the demand of taxes for the relevant financial year by adjudicating authorities has to be verified with order. If the Registered Person has made an appeal against the order, the value of such order would still have to be reflected here until the disposal of the appeal.

Sl. No. 15F: Total taxes paid out of the aforesaid demand of taxes

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15F	Total taxes paid in respect of E above							

The copy of the challan as a proof of payment out of the confirmed demand of taxes to be verified with the order demanding taxes for the relevant financial year. Hon'ble Apex court in a recent judgment laid in *DCW Ltd v. Union of India* 2015(324) ELT 702 has categorically held

that the doctrine of unjust enrichment is not applicable to cases where the amount is deposited in terms of interim order of a Court. Hence the pre-deposit cannot be treated as the taxes paid out of the demand. The said amount retains the character of a pre-deposit till it is adjusted against the demand.

Sl. No. 15G: Total demands pending out of the aforesaid demand of taxes

	Details	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
15G	Total demands pending out of E above							

The differential value between the total demand confirmed vide orders and the aggregate value of the taxes remitted vide copy of the challans has to be determined for the relevant financial year. Where an appeal has been preferred to the Appellate Authorities or High Court or Supreme Court, pre-deposit amount should not be considered the pending amount of tax not paid.

Validation of information

In addition to the scrutiny of the relevant documents in the respective scenarios, the following documents, as mentioned supra can be scrutinised to validate the amounts reported under this head:

- The refunds claimed/ sanctioned/ rejected, and the details of assessment orders passed in relation to such demand and refund for the relevant financial year disclosed in the annual report and audited financial statements.
- The relevant ledger accounts for the relevant period relating to refund has to be scrutinised for each GSTIN to ensure that the respective entries have been passed for refunds received/ reversed etc.
- It has to be ensured that the unutilised input tax refund claimed has been debited in the electronic credit ledger.
- In case a Registered Person has multiple GSTIN, the details of demand of tax / refund of every State / UT should be derived from his main trial balance on the basis of which the financial statements are prepared and audited

Notes to Consider

- A Registered Person having multiple GSTIN among different states shall have to

maintain the details of refund claimed, sanctioned, rejected and pending in GSTIN wise basis;

- (b) While considering the refund claimed/ adjusted/ sanctioned/ rejected/pending for the relevant financial year, the segregation between the refund with regard to existing law and under GST laws shall require to be segregated on a GSTIN basis. Similar approach has to be adopted for the demand of tax.

Conclusion

The details of refund (segregating refund claimed, sanctioned, rejected and pending) and value of demand of taxes (segregating demand of tax, taxes paid, demand of tax pending) along with interest, penalty and late fee for the relevant financial year has to be disclosed under the relevant heads (CGST, SGST/UTGST, IGST and Cess) by considering the relevant supporting documents.

Sl. No. 16: Information on supplies received from Composition taxpayers, deemed supply under section 143 and goods sent on-approval basis

Table 16 of GSTR 9 requires details of supplies received from composition tax payers, supplies (inputs and capital goods) received from the principal by the recipient (job-worker) and not returned within the time specified under section 143 of the CGST Act, 2017 and supplies received on approval basis from the principal and returned to the supplier within 180 days of supply.

Sl. No. 16A: Supplies received from Composition taxpayers

	Details	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
16A	Supplies received from Composition taxpayers					

Table No.	Instructions
16A	Aggregate value of supplies received from composition taxpayers shall be declared here. Table 5 of FORM GSTR-3B may be used for filling up these details.

Introduction

As per the provision of the Section 10 of CGST Act, the Registered Person can opt for

composition scheme if his Aggregate turnover during the preceding financial year doesn't exceed Rs.1.5 crore subject to certain conditions. The composite taxpayer cannot collect tax on its supply from the recipient. He is also restricted from supplying services during the period July 2017 to March 2018. However, amendment is provided in the CGST Act 2018, wherein he can supply services provided the value of service does not exceed 10% of the turnover in the State / Union Territory of the preceding financial year Rs. 5 lakhs whichever is higher.

The registered person, not being a composite tax person, is required to provide value of inward supplies received from the composition taxpayers in Table-16A.

Analysis

➤ Source of information

Composite taxpayers cannot issue tax invoice, they must issue a **Bill of supply** as mentioned in section 31(3) (c) of the CGST Act. Details of inward supplies received from the composite can be extracted from the books if the same are recorded separately. If the same is not available, the same would have to be separated from the details of inward supplies in the books.

➤ Validation of information

The amounts that are to be reported can be derived from Table - 5 of GSTR 3B.

Table no.5 of GSTR 3B would have aggregated value of inward supplies received from the composite tax payer, exempt supplies and Nil rate inward supply. Working papers providing break up of details furnished in this Table would help the taxpayer to identify supply received from the composition taxpayer. If any certain / all supplies from the composite tax payers have not been declared in GSTR 3B the same can be declared in GSTR 9.

Illustration

XYZ Ltd. has procured inward supply from a registered person who is raising tax invoice along with tax thereon. XYZ Ltd is booking this as inward supply in his purchase register. XYZ Ltd. may book such inward supply in voucher type "Purchase-Regular". Now, when XYZ Ltd procured inward supply from the composite taxpayer, then the company would have received Bill of supply in which tax would not have been shown. XYZ Ltd may books such inward supply in separate voucher type "Purchase-composite" and if such segregation is made then it would be very easy for the company to extract and report such details in this Table.

Notes to consider

The following checks should be performed for the validation of amounts reported under this head:

- Figures reported in Table 16A must be compared with workings used for reporting in Table-5 entry 1 of GSTR 3B.

- Only inward supply received from the composition scheme is to be reported here. Any inward supplies which are NIL-rated, exempted, non-GST etc. should not be a part of this.

Conclusion

Value of supplies received from composition taxpayers during July 2017 to March 2018 would have to reported here

Sl. No. 16B: Deemed supply under section 143

	Details	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
16B	Deemed supply under Section 143					

Table No.	Instructions
16B	Aggregate value of all deemed supplies from the principal to the job-worker in terms of sub-section (3) and sub-section (4) of Section 143 of the CGST Act shall be declared here.

Introduction

Table 16B requires reporting of details of the deemed supply as per Section 143 of the CGST Act. Section 143 (3) and (4) of the CGST Act deals with payment of tax on the deemed supply when inputs or capital goods are not returned by the recipient (job-worker) within prescribed time period to the registered principal which are sent on or after 01st July 2017. Section 143(3) of the CGST Act provides that inputs sent for job-work are not received by the principal within 1 year of it being sent, then the same would be deemed as supply in the hands of the supplier on the day on which the inputs were sent by the principal. Section 143(4) of the CGST Act provides that capital goods (other than moulds and dies, jigs and fixtures, or tools) sent for job-work are not received by the principal within 3 year of their being sent, then the same would be deemed as supply in the hands of the supplier on the day on which the capital goods were sent by the principal.

Analysis

➤ Source of information

- Register maintained by the principal for goods received from the job worker wherein details of inputs / capital goods received with the date of receipt and date of return can be verified

➤ **Validation of Information**

- Report, if any, sent to the principal by the job-worker giving details of inputs / capital goods received and sent and those in stock
- Confirmation of the above details to be obtained vis. Delivery Challan and Form GSTR ITC-04.

Illustration

Example:

XYZ Ltd principal manufacturer has sent input for job work to the job worker on 31st July 2017. As per Section 143(1) of CGST Act, he can send such goods for job work without payment of tax. Time limit for receiving back such input is 1 year from the date of being sent, XYZ Ltd would have to get back such input or intermediary goods arising from job work process on such input before 30th July 2018. Now if XYZ Ltd is not in a position to get back such goods before 30th July 2018, then as per Section 143(3), it is deemed supply effected on 31st July 2017 itself. Therefore, XYZ Ltd has to pay tax along with interest for 1 year on such supply.

Such transaction needs to be reported in GSTR-3B and GSTR-1 for the month of July-18. Taxable value of such input sent along with tax thereon is to be reported in Table-16B.

If XYZ Ltd had issued capital goods instead of input then, XYZ Ltd has to get back such capital goods before 3 years on their being sent out that is before 30th July 2020. If capital goods are not received back by principal before 30th July 2020, then it is deemed supply for XYZ Ltd on 31st July 2017 itself and tax is to be paid on such capital goods along with interest for 3 years. Such transaction needs to be reported in GSTR-3B and GSTR-1 for the month of July-20.

Notes to Consider

- As per the amended CGST Act, 2018, time period of bringing back input within 1 year and capital goods within 3 years may be extended by the commissioner for further period but not exceeding 1 year for input and 2 years for capital goods. But this provision would be effective from the date to be notified.
- Since time limit of bringing back input and capital goods is 1 year and 3 years respectively of goods sent on or after 01st July 2017, there would not be a case of deemed supply as per Section 143 as on 31st March 2018 since time limit of 1 year or 3 year would not be crossed as on reporting date and no transaction will be reported in Table-16B for the year 2017-18.
- In case inputs are removed by a Principal to a Job Worker's premises before 01st July 2017, and the same is returned to the Principal within 6 months that is on or before 31st December 2017 or within the extended period of 2 months, then no tax shall be payable. However, if the inputs are not returned within 6 months or the extended period of 2 months, then the input tax credit availed by the Principal shall be recovered as

arrears of tax under the CGST Law and no input tax credit of such tax paid shall be allowed. However, such transactions need not be reported in Table – 16B

Conclusion

The control check that a person should perform for validation of the amounts reported under this head or the period July 2017 to March 2018 no value should be provided since the inputs and capital goods received would be less than 1 year.

Sl. No. 16C: Goods sent on approval basis but not returned

	Details	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
16C	Goods sent on approval basis but not returned					
Table No.	Instructions					
16C	Aggregate value of all deemed supplies for goods which were sent on approval basis but were not returned to the principal supplier within one eighty days of such supply shall be declared here.					

Introduction

16C requires reporting of details of goods sent on approval by the supplier on approval basis which are not returned within 6 months from the date of supply under the GST period.

Section 142 (12) of the CGST Act provides that goods sent on approval basis, not earlier than six months before the July 1, 2017, are rejected or not approved by the buyer and returned to the seller on or after July 1, 2017, no tax shall be payable thereon if such goods are returned within six months from July 1, 2017. Therefore, where goods are not returned within 6 months from July 1, 2017 in respect of goods sent on approval basis prior to GST regime, such details to be reported in this field. Please note that this information is to be included under Sl.No.5G of GSTR 9C.

The CGST Act provides that if goods sent on approval are not returned by the recipient to the supplier within 6 months from the date of supply, the same shall be treated as supply in the hands of the supplier.

Analysis

➤ Source of information

- The register maintained by the supplier in respect of goods sent on approval basis wherein the details date of receipt and date of return can be verified.

- Stock records of the supplier.
- **Validation of Information**
 - Notes to financial statements.
 - Stock records
 - Certificate issued by an independent Chartered Accountant for stock verification conducted.

Illustration

XYZ Ltd has supplied its newly manufactured watch to its prospective customer Mr. A on sale on approval or return basis on 31st July 2017. If Mr. A gives approval of such items being retained by him on 31st August 2017, then Invoice needs to be raised on 31st August 2017. But if Mr. A doesn't give approval of accepting this item or not return this item before 31st January 2018 (within 6 months), then it is a deemed supply for XYZ Ltd and invoice needs to be raised on 01st February 2018 and tax needs to be paid on watch supplied.

XYZ Ltd. has to report this transaction as deemed supply in GSTR-3B and GSTR-1 for the month of February 2018.

This transaction is to be reported in Table-16C along with taxable value and tax thereon.

Notes to consider

- **Goods sent on approval prior to the GST regime:** Where goods are not returned by the recipient within 6 months from July 01, 2017 in respect of goods sent on approval basis prior to the GST regime (sent on approval basis between Jan 1, 2017 to Jun 30, 2017), such details need to be reported in this filed which may be missed out.
- **Goods sent on approval during the GST regime:** Where goods are not returned by the recipient in respect of goods sent on approval basis within 6 months of receipt of goods by the recipient, such details need to be reported in this filed.

Additional notes to consider

- Since no actual sales happen when goods are sent to the recipient on sale on approval basis, this transaction would not be reported in any Return till the permissible time limit expires and such goods are sent on delivery challan only. Therefore, there would be no track to capture such a transaction.
- One can also verify closing stock in the books of account in which goods sent on approval basis can be scrutinized and analysed to identify goods sent 6 months back but not returned or accepted by the recipient then it would be deemed supply to be covered in this Table. Tax invoice is required to be raised and tax needs to be paid.

Sl. No. 17: HSN Wise Summary of outward supplies¹⁴

17 HSN Wise Summary of outward supplies								
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9

Table No.	Instructions
17 & 18	Summary of supplies effected and received against a particular HSN code to be reported only in this table. It will be optional for taxpayers having annual turnover upto ₹ 1.50 Cr. It will be mandatory to report HSN code at two digits level for taxpayers having annual turnover in the preceding year above ₹ 1.50 Cr but upto ₹ 5.00 Cr and at four digits' level for taxpayers having annual turnover above ₹ 5.00 Cr. UQC details to be furnished only for supply of goods. Quantity is to be reported net of returns. Table 12 of FORM GSTR1 may be used for filling up details in Table 17.

Introduction

- Part VI of GSTR 9 relates to "Other Information". As the name suggests, additional but important information relating to HSN wise summary of outward supplies made by the taxpayer during the financial year. India has adopted the Harmonized System of Nomenclature (HSN) for goods and the Service Accounting Code (SAC) system for services.
- For the financial year 2017-18, a summary of inward and outward supplies effected / made against a particular HSN code is to be reported in this Table.
- The relevant Rule 46(g) of the CGST Rules provides that the HSN code is to be mentioned on the face of the tax invoice in terms of the NN 12/2017-CT(R) dated Jun 28, 2017 issued under the CGST Act.

¹⁴ Clarification sought from the Government.

Sl. No.	Annual Turnover in the preceding financial year	Number of Digits of HSN
(1)	(2)	(3)
1.	Upto rupees one crore fifty lakhs	Nil
2.	More than rupees one crore fifty lakhs and upto rupees five crores	2
3.	More than rupees five crores	4

- (d) Therefore, while it is optional to mention HSN code for taxpayers having annual turnover up to Rs. 1.50 crores it would be mandatory to report HSN code at two digits level for taxpayers having annual turnover in the preceding year above Rs. 1.50 crores but up to Rs. 5.00 crores and at four digits' level for taxpayers having annual turnover above Rs. 5.00 crores.

- (e) **Rate of tax and Classification:** The Central Government and the State Governments have issued notifications specifying the rate of tax based on the classification / description of goods with reference to the chapter heading, sub-heading and tariff item. It is also notified that the 'tariff item', 'sub-heading', 'heading' and 'chapter' as referred to therein shall have the same meaning as tariff item, sub-heading, heading and chapter as specified in the First Schedule of the Customs Tariff Act, 1975.

The methodology adopted for the purpose of classification of goods under the Customs Tariff Act is commonly known as Harmonised System of Nomenclature (HSN, or also known as Harmonised Commodity Description and Coding System) – abbreviated version according to WCO is HS). It is a multipurpose International Product Nomenclature developed by the World Customs Organisation (WCO). WCO has 181 members and India is a member of WCO since 1971. India had adopted the system of HSN in 1986.

- (f) **Rules of interpretation for classification:** It is specified that the rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 including the section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of the notification issued under the GST Laws.

It is apparent from the above explanations and references thereto that the principles of classification and rules of interpretation for classification of goods under the Customs Tariff Act shall be adopted for the purpose GST Laws for the purpose of classification of goods.

General Rules for the Interpretation – The Customs Tariff Act: The First Schedule to The Customs Tariff Act specifies the 'General Rules for the Interpretation of the First Schedule' that should be adopted for the purpose of classification of goods and determination of rate of

tax. The said rules refer to the sections, section notes, chapters, chapter notes, headings and sub-headings. It also specifies the 'General Explanatory Notes' which should be referred for the purpose of classification of goods. HSN has 21 sections, 99 Chapters, 1244 Headings and 5244 sub headings (please note that Chapter 99 is kept blank for common use – which has been used to classify services).

Analysis

1. The source and validation of information to 17 in Part VI:
 - (a) In respect of column 1 relating to goods and / or services would normally be the tax Invoice. However, such HSN based classification ought to be corroborated with allied documents such as E-way bills, delivery challans, notifications and clarifications including explanatory notes to the scheme of classification of services. It is possible that the tax rates may have been changed during the financial year in respect of goods supplied. In such cases this column should be so filled that it reflects or captures such rate changes.
 - (b) For column 2 (UQC): Unit Quantity Code is the code of measurement of a particular commodity i.e. Kilograms, Meters, Litres, Numbers etc. Different goods could be measured through different UQC's based on the nature of goods. In respect of services it could be man hours, man-days etc.
 - (c) Column No 3 (Total Quantity): Total quantity of Outward Supplies made during the financial year is to be filled in this column. It may be worth noting that every Registered Person would have to maintain complete quantitative records of the goods traded (or manufactured and traded) or services provided during the financial year.
 - (d) Column No 4 (taxable Value): The expression "taxable value" is not defined under the Act, whereas it must be understood to be the value of taxable supply on which tax becomes payable. In the instructions provided to GSTR 2 in Sl. No. 5 of Table 5 it is stated that "taxable value" means assessable value for custom purposes on which IGST is computed.
 - (e) Column No 5 (Rate of tax): The rate of GST applicable must be reported in this column keeping in mind that there could have been changes in the applicable tax rates on a particular item / HSN code during the period July 2017 to March 2018. When there is a change, there will be separate details for each rate of tax in respect of the same supply.
 - (f) Column No 6 (Central tax) / Column No 7 (State tax/ UT tax) / Column No 8 (Integrated tax) / Column No 9 (Cess): Essentially column 6 to column 9 capture the Taxes payable based on the nature of outward supplies i.e intra-State or inter-State supplies. Caution must be exercised to ensure that such HSN based taxable supplies reflected in this table match with turnover reflected elsewhere in the annual return.
 - (g) Such information may also be verified from Table 12 of GSTR1.

- (h) Relevant notifications / circulars / advance rulings etc., could also be considered.

Issues

- (a) It is possible that incorrect tax rates may have been applied due to incorrect application of HSN at the time of raising of invoices. In such situations, Debit / Credit note may have been (or ought to be) issued. If such errors are rectified in GSTR 1 upto the return for the month of September of the subsequent financial year, then the rectified amounts would be reported here. If the errors are noticed after the filing of GSTR 1 for the month of September, then the amounts which have actually been reported pertaining to the year 2017-18 would be given here.
- (b) It may happen that there are disputes with regard to the classification of a particular nature of supply into different rates. This may be due to a classification dispute with regard to the applicable HSN code or the identification of a particular supply into composite or mixed or standalone supply. In such cases, the rates and classification as depicted in the GST returns should be reported here.

Illustration

1. Effective from July 2017, a person had classified 'Bed and Bath Towels' into the HSN code A and had taken the rate of 18% prevailing at that time. However, upon reconsideration and taking of legal opinion, such products were reclassified into HSN code B which was taxable at the rate of 28% in the month of July 2017. Such reclassification was done in GSTR 1 for the month of April 2018 for all such products supplied from the month of July 2017 and the additional tax liability was discharged accordingly. In this case, the revised HSN code of 3307 should be reported in Table 17.
2. In the above illustration, if the detection of the requirement of reclassification had occurred in the month of November 2018 after the filing of GSTR 1 for the month of September 2018, then such detection cannot result in any reclassification in the Annual return. HSN code of A would be continued to be taken as they had been reported as such for the period 2017-18 till the filing of GSTR 1 for the month of September 2018.

Notes to consider

1. Incorrect HSN / SAC stated in the invoices, in case of forward charge supplies;
2. Incorrect HSN applied in respect of taxes payable under reverse charge mechanism in respect of transactions subject to tax under section 994) of the CGST Act (while self-invoicing);
3. Different HSN applied for the same product under the earlier law as compared to the GST regime;
4. Conflict of opinion between the Auditor and taxpayer for a particular commodity;

5. HSN / SAC mentioned in the invoice differs with that of an Advance Ruling / FAQ issued by the tax department;
6. Different HSNs used by the supplier in case of an inward supply and the registered taxpayer mentioning different HSN for the same product in respect of an outward supply.

In all the above situations, irrespective of what should be the classification and how the same is perceived elsewhere by the Auditor or the Advance ruling authorities, the actual HSN code taken by the taxpayer in his GST returns should be reported. The GST returns that should be seen here should be GSTR 1 that has been filed for the period under audit and would consider the period upto September of the subsequent financial year to the extent they contain disclosures for the period under audit.

Illustration

HSN code 3003 considers only items of medicament and HSN code 3306 considers preparation of oral or dental hygiene. Let us assume that there is dispute about a particular product 'Dentogum Toothpaste' being classified under HSN code '3003' or '3306'.

Situation 1: Conflict of opinion between the Auditor and taxpayer for particular HSN

A registered Person has applied HSN 3003 for the item 'Dentogum Toothpaste'. However, as per opinion of the Auditor, correct HSN for the supply should be HSN 3306 because the said product is not perceived as a medicament in the common parlance by the general public. In spite of the Auditor's disagreement, the HSN code 3003 which has actually been applied by the Registered Person should be reported in the annual return.

Situation 2: HSN code used by the vendor is different to the HSN used by the taxpayer

A registered person had procured 'Dentogum Toothpaste' using HSN code 3003. However, the taxpayer had used the HSN code 3306 for the said product as he was of the opinion that the said product is not perceived as a medicament in the common parlance by the general public. HSN code 3306 which was actually reported by the taxpayer in his outward supplies would be taken for the purpose of Table 17. The HSN heading according to the recipient at the time of procurement would be immaterial except when tax is payable on reverse charge.

Conclusion

It must be understood that the Annual return being the document prepared and filed by the Registered Person it would have a bearing on the proceedings initiated or proposed to be initiated by the tax department from time to time.

Sl. No. 18: HSN Wise Summary of inward supplies¹⁵

18	HSN Wise Summary of Inward supplies							
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9

The analysis given above with respect to HSN summary of outward supplies would be applicable even for the understanding of HSN summary of inward supplies.

- A person dealing in specific goods and / or services is generally aware of the HSN of these goods and /or services. However, when it comes to expenses (relatable to profit and Loss account / income and expenditure account), this may become a very tedious task. This is because, the data with regard to inward supplies may not be as easily available and further, the entity which is receiving inward supplies of goods or services may not be fully aware of the classification of these products. In respect of the goods which are bought from Registered Persons who have disclosed the HSN of their goods and / or services, it is still possible to capture them based on the invoice issued.
- In respect of the invoices issued by unregistered Persons, the recipient would need to identify each and every good/service and classify them appropriately. This would especially be difficult to identify at the end of the year because the HSN of such inward supplies may not have been disclosed in the GST returns as well. As a result, quite a substantial number of businesses may not have maintained the HSN-wise records for the purposes of reporting here. Thereby, some of the issues faced with regard to reporting of HSN-wise inward supplies which would be in addition to the issues already covered under HSN-wise outward supplies are as below:
 - (a) A typical business is usually in receipt of various kinds of inward supplies. As the types of inward supplies received are numerous, correctly reporting these can be a very arduous task.
 - (b) Even within a particular ledger head like Printing and Stationery, innumerable HSN codes can be reported within it. For instance, certain Pens can be classified under HSN 9608, certain pencils under 9609, paper of a particular quality under 4802 and services of printing under 9989.

¹⁵ Clarification sought from the Government.

These are only illustrative heads and the actual classification may be far beyond this.

- (c) Businesses are aware of the goods/services they deal in. However, to be able to find out the HSN of the goods or services which are supplied by the vendor to the supplier may involve substantial efforts on their part. Correct classification in some cases can be extremely difficult. The fact that several disputes relating to classification had to be settled by the Supreme Court supports this view.

Sl. No.19. Late fee for belated filing of annual return

19	Late fee payable and paid		
	Description	Payable	Paid
	1	2	3
A	Central Tax		
B	State Tax		

Table No.	Instructions
19	Late fee will be payable if annual return is filed after the due date.

Introduction

Annual Return has a due date prescribed for its filing. However, there is no embargo for filing this return belatedly. Due date prescribed in section 44(2) of the CGST Act is necessary to make this return enforceable. Without a due date, this return would become directory and not mandatory given that taxes due are paid through monthly return in GSTR 3 or monthly statement in GSTR 3B.

Annual Return is also not a document wherein new information can be furnished. Instead, GSTR 9 only curates the information already furnished through the return in GSTR 1 or statement in GSTR 3B and presents it in a suitable manner for consideration by the tax administration.

As such, belated filing of Annual Return is permitted but invites continuing consequence of late fee.

Analysis

Late fee prescribed for 'return' under section 44 applies to belated filing of GSTR 9 and 9A at rate of Rs.100 per day subject to a maximum of 0.25% of turnover in State or UT. As such, whether the turnover comprises taxable supplies or exempt supplies, late fee would be computed on all supplies that make up the turnover in State or UT.

Please note that late fee under the CGST Act would be in addition to the late fee under the mirror provision under the SGST Act / UTGST Act. Therefore, the late fee would be Rs.100 + Rs.100 per day subject to a maximum of 0.25% + 0.25% of turnover in State.

Conclusion

Where late fee is determined before filing Annual Return it may be computed and included in Sr.no.19 in the Annual Return itself as 'payable' and 'paid'. It also appears to allow quantification of late fee 'payable' even if 'unpaid' on the date of its filing which may be paid subsequently.

It is important to note that a deficient Annual Return is not a return at all. And deficiencies include omission to annexe the copy of audited financial statements along with the Auditor's report and all enclosures thereto. Annual Return filed with deficiencies noticed later can set at nought the very fact of its filing. Hence, it is important that Annual Return that is true and correct must be filed correctly and completely.

Understanding "Verification" under GSTR 9

- I. In terms of Rule 80(1) of the CGST Rules the relevant "verification" portion to the Annual Return in GSTR 9 reads as under:

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been / will be passed on to the recipient of supply.

Signature

Place:

Name of Authorised Signatory

Date:

Designation / Status

- II. The verification part of the said GSTR 9 is crucial in so far, as the GST Auditor is concerned. Among other words, there are several important words and phrases used in this part such as "**solemnly affirm, declare, true and correct, knowledge and belief, conceal etc.**" An understanding of the true import of these words becomes relevant. These words can be understood as follows:
- III. According to The Random House Dictionary the word **solemn** means "serious or earnest" and the word **affirm** means "confirm, establish or ratify". A solemn affirmation is ratification under a statute.
- IV. In the case of Dilip N. Shroff V. Joint Commissioner of Income tax, 2007 (219) ELT 15 (SC) their lordships extracted the meaning of the word "conceal" from the Law Lexicon which reads:

“to hide or keep secret. The word “conceal” is con + celare which implies to hide. It means to hide or withdraw from observation; to cover or keep from sight; to prevent the discovery of; to withhold knowledge of. The offence of concealment is, thus, a direct attempt to hide an item of income or a portion thereof from the knowledge of the income tax authorities.”

In the very same judgement in para 67 and 68 the Honourable Supreme Court goes on to analyse certain phrases, which are relevant and reproduced below:

‘Concealment of income’ and ‘furnishing of inaccurate particulars’ are different. Both concealment and furnishing inaccurate particulars refer to deliberate acts on the part of the Registered Person. A mere omission or negligence would not constitute a deliberate act of *suppressio veri* or *suggestio falsi*. Although it may not be very accurate or apt but *suppressio veri* would amount to concealment, *suggestio falsi* would amount to furnishing of inaccurate particulars.

The authorities did not arrive at a finding that the consideration amount fixed for the sale of property was wholly inadequate. The authorities also do not show what the inaccurate particulars furnished by the Appellant are. They also do not state that what should have been the accepted principles of valuation. We, therefore, do not accept the submissions of the learned Additional Solicitor General that concealment or furnishing of inaccurate particulars would overlap each other, the same would not mean that they do not represent different concepts. Had they not been so, the Parliament would not have used different terminologies.

To conclude, *malafide* or *dolus molus* becomes a pre-requisite to prove an act of concealment. While every action is not *malafide* – negligence, carelessness, recklessness coupled with the intention to withhold information tantamount to *malafide*. It is reiterated that mere failure to provide information or providing inaccurate information also would not amount to concealment.

- V. The latter part of “verification” in the prescribed GSTR 9 (Annual return) reads “in case of any reduction in output tax liability the benefit thereof has been / would be passed on to the recipient of supply”. In order to understand the relevance and implication of this expression one needs to understand the full impact of the provisions of section 171 of the CGST Act. Section 171 (1) of the CGST Act cites two situations as under:

- (A) Reduction in rate of tax; or
- (B) Benefit of input tax credit.

In both the above situations the Statute warrants that any benefit accruing to a Registered Person ought to be passed on to the recipient by way of commensurate reduction in prices. It simply means a registered supplier to whom a benefit arises by

way of additional input tax credit or a reduction in rate is required to necessarily pass on the entire amount to one or all recipient of such supply.

A plain understanding of the verification portion implies that the Registered Person is cast with the onerous responsibility of finding out whether any such benefit has accrued to him. One can therefore construe that the Registered Person has to now assess the impact the provisions of section 171 of the CGST Act and disclose suitably.

VI. Certificate and Report

A certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. It is certification of factual accuracy of what is stated therein.

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 on opinion thereon. It is giving an opinion based on factual data and that is arrived at by the application of due care and skill.

VII. Understanding some words according to The Law Lexicon by P Ramanatha Aiyar (1997 Edition):

- (a) **Attest (page 166):** To bear witness to; to certify; to affirm to be true or genuine; to make a solemn declaration in words or writing to support a fact; to certify to the verity of a copy of a public document;
- (b) **Verify (page 1955):** To assent or approve to be true; to ascertain, confirm or test the truth or accuracy of;
- (c) **Certify (page 296):** To give certain knowledge or information of; make evident; vouch for the truth of; attest; to make statement as to matter of fact; to testify in writing; give a certificate of; make a declaration about in writing under hand, or hand and seal; to make attestation either in writing or orally as to the truth or excellence of something;

VIII. The relevant portion of Volume I.A of the Compendium of Engagement and Quality Control Standards (9th Edition, 2012), page 3, Para 5) reads - While discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

Conclusion

A conjoint reading and understanding of all aspects cited *supra*, many experts are of the view that the exercise of verification would actually mean an **attest** function is being carried out while others believe that it is an exercise of verification/ examination of factual information.

Annexure A to GSTR 9 (Illustrative list of issues that may warrant reporting)

1. Registration under the CGST / SGST (or UTGST) Act is obtained with effect from Other than those included in the certificate of registration as on this date, there are no other places that are place of business in the State of
2. Information and basis of Audit:
 - (a) Books of accounts are maintained by the Legal Entity in accordance with Act (viz., The Companies Act, 2013 or The Income tax Act, 1961 etc.) following Generally Accepted Accounting Principles;
 - (b) Books of accounts so maintained contain all information and such of those transactions involving actual financial transactions alone are recorded;
 - (c) Information considered necessary for the GST audit certification pertaining to the Registered Person are extracted, compiled and specially prepared by a reasonably scientific and consistent methodology for the reporting period by the Legal Entity;
 - (d) Registered Person has derived, extracted, compiled and specially prepared the information comprised in the audited financial statements of Legal Entity and presented for this audit certification;
 - (e) Information derived, extracted, compiled and specially prepared from the audited financial statements of Legal Entity are represented to be free of exclusion, of transactions pertaining to the Registered Person or free from inclusion of transactions not pertaining to the Registered Person;
3. Registered Person has determined and disclosed the following in tax Invoice:
 - (a) Categorization of supplies as supply of goods or supply of services;
 - (b) rate of tax, place of supply and nature of supplies applicable to outward supplies and inward supplies liable to reverse charge;
 - (c) Exports involving supply of services or supply of goods are reported if they conform to Section 2(6) and 2(7), respectively, of the IGST Act, 2017;
4. Outward supplies accounted by a Registered Person and appearing in GSTR 9 are:
 - (a) Based on understanding of the word "supply" under the CGST Act;
 - (b) Outward supplies in para in Schedule I are applicable;
 - (c) Outward supplies in para in Schedule II are applicable;
 - (d) Outward supplies in para 1, 5 and in Schedule III are applicable;

- (e) Other than pure agency, there are / are no other transactions not involving supply;
 - (f) rate of tax applicable have / have not undergone any change since July 1, 2017;
 - (g) Except where reported, price is the sole consideration net of permitted discount(s).
- 5. Except where reported, debit notes and credit notes are issued as permitted by section 34 of the CGST Act.
- 6. Outward supplies are included under income, expenditure, current assets and current liability accounts but separately disclosed in GSTR 9 appropriately; and all credits in expenditure and "current assets" accounts do not represent outward supplies;
- 7. Inward supplies accounted by a Registered Person and appearing in GSTR 9 are:
 - (a) As appearing in tax Invoice or Bill of Supply issued by Supplier;
 - (b) tax Invoice or Bill of Supply are received and in possession;
 - (c) Except where reported, all goods or services are received;
 - (d) Except where reported, no payments are outstanding for more than 180 days;
 - (e) Except as reported, price is the sole consideration net of permitted discount(s).
- 8. Except where reported, there are no transactions attracting reverse charge liability.
- 9. Input tax credit accounted by Registered Person and appearing in GSTR 9 are:
 - (a) Not included as revenue expenditure or depreciation under Income-tax Act;
 - (b) Includes Rs. being credit 'accrued but not due' for the reasons;
 - (c) Includes Rs. being credit claimed or intended to be claimed as refund;
 - (d) Does not include Rs. being credit reversed under rule 42;
 - (e) Does not include Rs. being credit reversed under rule 43;
 - (f) Does not include Rs. being credit reversed under section 17(5)

Chapter 10

Analysis of GSTR-9A

FORM GSTR-9A (See rule 80) Annual Return (For Composition Taxpayer)		
Pt. I	Basic Details	
1	Financial Year	
2	GSTIN	
3A	Legal Name	<Auto>
3B	Trade Name (if any)	<Auto>
4	Period of composition scheme during the year (From ---- To ----)	
5	Aggregate Turnover of Previous Financial Year	
(Amount in ₹ in all tables)		

Table No.	Instructions
5	Aggregate turnover for the previous financial year is the turnover of the financial year previous to the year for which the return is being filed. For example for the annual return for FY 2017-18, the aggregate turnover of FY 2016-17 shall be entered into this table. It is the sum total of turnover of all taxpayers registered on the same PAN.

Introduction

Form GSTR 9 A is the relevant form prescribed in terms of Rule 80 of the CGST Rules, 2017. This Form GSTR 9 A in Part I seeks to capture the basic details of the registered person which has 5 clauses. Each of the clauses is significant in terms of the disclosure requirement.

Analysis

PART-1 - Sl. No. 1: Financial Year

This clause requires the disclosure of the “financial year” to which the Annual Return relates. The expression financial year has not been defined under the GST laws. However, in terms of the General Clauses Act “financial year” shall mean the year commencing on the first day of April and closing on the 31st day of March. It is important to understand the meaning of the

expression “financial year” in the first year of the GST regime because the GST laws came into operation on the first day of July, 2017. Since the GST Laws stood applicable only for nine months, from July 2017 to March 2018, in this clause, one may mention “2017-18” (9 months commencing 1st July 2017 and ending on 31st March 2018).

Part 1 - Sl. No. 2: GSTIN

- (i) GSTIN means the “Goods and Services Tax Payer Identification Number” of the tax payer or the registered person. Each tax payer, on his successful registration would be assigned a State-wise PAN based 15-digit GSTIN. The first 2 digits of the said GSTIN would represent the State code as per the Indian Census 2011 viz., Karnataka 29, Delhi 07 etc., The next 10 digits would be the PAN of the tax payer. Thus, it implies that if one is not allotted a PAN, he cannot be registered under the GST Laws. The 13th digit would be based on the number of registrations within a State, while the 14th digit would be based on the nature of the business of the assessee. The 15th digit is a check code, which can be a “numeral” or an “alphabet”.
- (ii) In the case of a Non-resident taxable person (“NRTP”), Rule 13 of the CGST Rules, 2017 permits registration even without PAN. In such a case, registration shall be granted based on the tax identification number or unique number on the basis of which the entity is identified by the foreign Government where the said entity is based.
- (iii) GSTIN based on PAN may be validated based on the following documents¹:
 - (a) The State code must be validated based on the Indian Census 2011;
 - (b) The next 10 digits must stand verified / checked with the “PAN - Card” issued by the Income Tax Department;
 - (c) A list of registration across the State would lead one to the “13th” digit;
 - (d) The 14th digit would be assigned by the registering authority based on the nature of business of the tax payer;
 - (e) The 15th digit being a check code cannot be verified.
 - (f) Thus, the entire 15 digits ought to be verified on the above basis and checked with a Certificate of Registration issued in Form GST REG – 06 in terms of Rule 10(1) of the CGST Rules, 2017.

¹ This may not be necessary but has been given for those who wish to exercise abundant caution.

(g) An illustration

Format of the GST Number – Regular Registration

Registration Type	Digit														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Regular Registration	State Code		PAN										No. of Registrations in the State	Code for Regular Registration	Check Digit
Example	2	9	X	X	X	X	X	X	X	X	X	X	1-9 or A to Z	Z	1-9 or A to Z

(iv) Some of the common errors in the verification of GSTIN in the manner cited supra could be:

- ✓ Name listed on PAN could differ with the name listed in the “Certificate of Registration”;
- ✓ The number of registrations across the State could differ with the number of registrations actually obtained or surrendered;
- ✓ Additional place of business has not been declared in the registration certificate which should have been declared

Such errors can be overcome if the incorrect registration stands amended in the manner specified / prescribed.

(v) As and when such errors are noticed during the conduct of the GST audit by the GST Auditor, he should disclose this appropriately. He should also consider other implications due to such errors.

(vi) Conclusion

Thus, the importance of the verification of GSTIN is paramount. The GST Auditor needs to thoroughly examine the issues arising out of this clause.

Part 1 - Sl. No. 3A and 3B: Legal Name and Trade Name

1. A “name” is that by which a person is known or called. The said “name” is a word or words, designation or appellation used to distinguish a person. A “name” cannot be used as a metaphor, but it could be an abbreviation.
2. The word “legal” used in clause 3A in Form GSTR 9 in Part I is used in the backdrop of a legislation. Therefore, it must be lawful. While a “name” is a word(s) by which a person is known, the expression “legal name” is with reference to a statute.

3. For instance, a person can be named “Sandy”, but his legal name could be “Santosh”. This is what is to be borne in mind while this column is being filled in. Another instance could be “HUL”, which legally is Hindustan Unilever Limited.
4. The word “Trade” used in clause 3B of Part I may not be limited to an occupation or business. It could be a connotation. The word “Trade” ought to be understood in its ordinary sense without any reference to “business”. For instance, “Indigo” could be a trade name while the legal name is “InterGlobe Aviation Limited”. Likewise, “Chancery Pavilion” is a trade name and “Elixir Enterprises & Hotels Private Limited” is a legal name.
5. Therefore, understood, trade name is a name used by trade and industry to identify businesses symbolizing their reputation. Caution must be exercised in listing the trade name and legal name in clauses 3A and 3B.
6. It is possible that certain registered persons may not have a trade name. In such situations, clause 3B of Part I would not be applicable. Therefore, NOT APPLICABLE is to be stated in Part I, which could be verified from the <<auto populated>> data.
7. Individual entities are normally identified by their legal name while their trade name could be different. For instance, a concern carrying on legal business by a proprietor could have a legal name of an individual by that name while trade name could be individual’s name followed by & Co / & Associates or by a completely different name. For instance, “Prasad” could be the legal name of an advocate while the legal name of his concern could be “PR Associates” or “Prasad & Co”, etc.
8. The legal name and trade name ought to be verified with the certificate of registration issued by the tax department in Form GST REG – 06. Similarly, if the registered person is a company registered under the Companies Act, 2013, the legal name / trade name can be verified with the Certificate of Incorporation and in case of a partnership firm by the certificate issued by the Registrar of Firms.
 - (i) Legal name in the documents under another statute do not match with the legal name on the registration certificate.
 - (ii) Trade name is not disclosed on the registration certificate.
9. Any discrepancy in the “Trade Name” and “Legal Name” on the basis of verification of documents may necessitate an amendment under the appropriate law. E.g. the name of the Company in the Certificate of Incorporation is “XYZ Advertising Private Limited” whereas in the certificate of registration under the GST it could be “XYZ Advertising Limited”. This discrepancy would require an amendment

Conclusion

Therefore, the distinction between a trade name and legal name must be clearly understood and borne out in clause 3A and 3B of Part I, and trade name and legal name are not to be used interchangeably. The details sought at clause 1, 2, 3A and 3B are common for both Form GSTR 9, Form GSTR 9A and GSTR 9C and hence the write up *supra* would equally apply to these clauses.

Part I - Sr. No. 4: Period of composition scheme during the year (From ---- To ----)

The clause “Period of composition scheme during the year (From ---- To ----)” seeks to capture the start and end period of the composition scheme. A registered person could be registered as a Regular Registrant on migration and later opt to migrate to composition scheme. Therefore, the start period shall be the period at which the composition scheme commenced.

The option to pay tax under the Composition Scheme shall be effective:

1. For persons already registered under the pre-GST regime: Appointed Day
2. Registered under the GST and person switches to Composition Scheme: Date of filing of the Intimation

A registered person who opted for payment of taxes under the composition scheme has to comply with the provisions of Section 10 the CGST Act, 2017 such as:

- ✓ The turnover limit as per Section 10(1); and
- ✓ The nature of activities permitted under Section 10(2);
- ✓ If the registered person exceeds the prescribed / specified threshold or opts to undertake activities not permitted by Section 10(2) he shall revert to the payment of taxes under the regular scheme by filing the CMP-04 under Rule 6(2) of the CGST Rules, 2017.
- ✓ The date filled in, in Clause 7 of CMP 04 shall be reckoned as the end date of the composition levy.

Part I - Sr. No. 5: Aggregate Turnover of the Previous Financial Year

1. Aggregate turnover for the previous financial year is the turnover of the financial year previous to the year for which the return is being filed.
2. For example, for the annual return for FY 2017-18, the aggregate turnover of FY 2016-17 shall be entered into this table.
3. It is the sum total of turnover of all taxpayers of the said registered person on the same PAN.

Part II - Details of outward and inward supplies declared in returns filed during the financial year

Pt. II	Details of outward and inward supplies declared in returns filed during the financial year						
	Description	Turnover	Rate of Tax	Central Tax	State / UT Tax	Integrated tax	Cess
	1	2	3	4	5	6	7
6	Details of Outward supplies on which tax is payable as declared in returns filed during the financial year						
A	Taxable						
B	Exempted, Nil-rated						
C	Total						

Table No.	Instructions
6A	Aggregate value of all outward supplies net of debit notes / credit notes, net of advances and net of goods returned for the entire financial year shall be declared here. Table 6 and Table 7 of FORM GSTR-4 may be used for filling up these details.
6B	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here.

1. Table 6 of Form GSTR 9A requires reporting of Outward supplies on which tax is payable as declared in returns filed during the financial year. This table should only include the details pertaining to the period July 2017 to March 2018 and not amendments pertaining to 2017-18 effected in the GSTR 4 filed during the year 2018-19;
2. However, data in this table should include all the amendments made during the period July 2017 to March 2018.

It is important to note that the expression “returns filed **during** the financial year” appearing as part of the heading to Part II, SI No 4 would have to be read as “returns filed **for** the financial year” else the returns for the quarter ending March 2018 (which are due and would be filed only in the month of April 2018) itself would not form part of the details to be filed in.

Part II - Sr. No. 7: Details of inward supplies on which tax is payable on reverse charge basis (net of debit/credit notes) declared in returns filed during the financial year

7	Details of inward supplies on which tax is payable on reverse charge basis (net of debit/credit notes) declared in returns filed during the financial year					
	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
A	Inward supplies liable to reverse charge received from registered persons					

Table No.	Instructions
7A	Aggregate value of all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here. Table 4B, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.

I. Introduction

Table 7 of GSTR 9A contains the details of inward supplies in respect of which the Registered Person is liable to pay tax on reverse charge basis.

Part II 7A. Inward supplies liable to reverse charge received from registered persons:

The relevant instructions given in this Form read “Aggregate value of all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here”. But it is relevant to note and understand that this table deals with the provisions 9(3) of the CGST Act, 2017. One may utilise the details provided in the following Tables to Form GSTR 4 as follows:

1. Table 4B: Inward supplies received from a registered supplier (attracting reverse charge);
2. Table 5: Amendments to details of inward supplies furnished in returns for earlier tax periods in the above Table [including debit notes/credit notes and their subsequent amendments]

Information from this table to be considered only to the extent of amendments made to Table 4B.

3. Table 8 A: Advance amount paid for reverse charge supplies in the tax period (tax amount to be added to output tax liability). The table 8 to Form GSTR 4 reads:

8. Consolidated Statement of Advances paid/Advance adjusted on account of receipt of supply

Rate	Gross Advance Paid	Place of supply (Name of State /UT)	Amount			
			Integrated Tax	Central Tax	State/ UT Tax	Cess
1	2	3	4	5	6	7
(I) Information for the current quarter						
8A. Advance amount paid for reverse charge supplies in the tax period (tax amount to be added to output tax liability)						
8A (1). Intra-State supplies (Rate Wise)						
8A (2). Inter-State Supplies (Rate Wise)						

II. Validation

The turnovers that are to be reported can be directly derived from the tables of Form GSTR 4 of the tables mentioned above.

Category of Supply	Nature of Supply
Aggregate value of all inward supplies (including advances and net of credit and debit notes) on which tax is to be paid on reverse charge basis	Both inter and intra state

It is suggested that the following reconciliations be carried out for reporting correct values:

- (a) Reverse Charge paid / payable on inward supplies from a registered taxable person liable to tax;
- (b) Payment vouchers (required to be issued when making payments to a supplier if the supplies fall under reverse charge),
 - o Payment vouchers are to be issued only upon payment to the supplier while the invoice is to be issued upon receipt of inward supply from an unregistered person. Therefore, receipt of supplies for which the payment is yet to be made would entail only the issue of invoice in case of supply from unregistered person and not payment vouchers. Also, payment in advance to the supplier would only result in the issue of a payment voucher and not an invoice in the case of unregistered persons.
 - o Payment vouchers are to be issued in cases of all payments to suppliers if the supplies are under reverse charge.

- o Invoice in respect of reverse charge are to be raised by the registered recipient only if the supplier is an unregistered person.
- o If the supplier is registered and his outward supply is under reverse charge, then the recipient is not required to raise an invoice but is mandated to raise a payment voucher at the time of payment.

III. Common Errors in respect of this clause

Some important control checks that an auditor could undertake for validation of the turnovers reported under this head:

- For a clear demarcation, it should be ensured that such turnovers did not relate to the erstwhile tax regime (before 1st July 2017). If tax is not payable under reverse charge on the inward supplies under the GST regime as it relates to the earlier period, then such turnovers should not be reported here.
- Reverse Charge applicable on inward supplies from unregistered persons shall not be reported in this table.
- The documents in respect of reverse charge i.e., invoices received from unregistered persons and payment vouchers issued to such persons should be checked to determine whether the values under reverse charge are correctly disclosed;
- Any advance payments to a supplier would invoke the 'time of supply' provisions even though the supply on which reverse charge is applicable, is yet to be effected. These turnovers of advances may be traced to financial statements;
- Only rectifications of the turnovers of inward supplies reported in the GST returns up to the tax period of March 2018 should be considered under this clause.

B	Inward supplies liable to reverse charge received from unregistered persons					
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Table No.	Instructions
7B	Aggregate value of all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. Table 4C, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.

Part II - 7B. The relevant instructions issued to Form GSTR 9A in this regard states “Aggregate value of all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. Table 4C, Table 5 and Table 8A of GSTR-4 may be used for filling up these details”. One may utilise the details provided in the following Tables to Form GSTR 4 as follows:

1. Table 4C: Inward supplies received from an unregistered supplier

Attention of the auditor is invited to the relevant notifications issued – viz. (i) NN 8/2017-CT(R) dated June 28, 2017 which exempt intra-State supply of goods or services not exceeding Rs.5,000/- per day regardless of the number of suppliers involved. (ii) NN 38/2017-CT(R) dated Oct 13, 2017 excludes the value limit previously prescribed. (iii) Corresponding exemption from payment of Integrated Tax was issued for the first time in NN 32/2017-Int(R) dated Oct 13, 2017 in respect of inter-State supplies.

2. Table 5: Amendments to details of inward supplies furnished in returns for the earlier tax periods in the above Table [including debit notes / credit notes and their subsequent amendments]

Information from this table is to be considered only to the extent of amendments made to Table 4C.

3. Table 8 A: Advance amount paid for reverse charge supplies in the tax period (tax amount to be added to output tax liability)

Advances reported in Table 7A to Form GSTR 9A shall not be considered for reporting the turnovers relating to this table.

C	Import of services					
D	Net Tax Payable on (A), (B) and (C) above					

Table No.	Instructions
7C	Aggregate value of all services imported during the financial year shall be declared here. Table 4D and Table 5 of FORM GSTR-4 may be used for filling up these details.

Part II 7C. Instructions issued related to the Form GSTR 9A which read “Aggregate value of all services imported during the financial year shall be declared here. Table 4D and Table 5 of GSTR-4” may be used for filling up these details.

Part II - Sr. No. 8: Details of other inward supplies declared in returns filed during the financial year

8	Details of other inward supplies as declared in returns filed during the financial year					
A	Inward supplies from registered persons (other than 7A above)					

Table No.	Instructions
8A	Aggregate value of all inward supplies received from registered persons on which tax is payable by the supplier shall be declared here. Table 4A and Table 5 of FORM GSTR-4 may be used for filling up these details.

8A: The relevant instruction related to Form GSTR 9A reads “Aggregate value of all inward supplies received from registered persons on which tax is payable by the supplier of goods and / or services shall be declared here”. Due consideration is to be paid to Table 4A and 5 of GSTR-4 - Inward supplies received from a registered supplier (other than supplies attracting reverse charge). Table 4 to Form GSTR 4 reads:

4. Inward supplies including supplies on which tax is to be paid on reverse charge

GSTIN of supplier	Invoice details			Rate	Taxable value	Amount of Tax				Place of supply (Name of State/UT)
	No.	Date	Value			Integrated Tax	Central Tax	State/UT Tax	CESS	
1	2	3	4	5	6	7	8	9	10	11
4A. Inward supplies received from a registered supplier (other than supplies attracting reverse charge)										

Table 5 of GSTR-4: Amendments made to the above Section shall also be considered finalising 8A

B	Import of Goods					
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8B	Aggregate value of all goods imported during the financial year shall be declared here.
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8B: Import of Goods: Aggregate value of all goods imported during the financial year shall be declared here.

Source of information

In this table, the taxable person should report the aggregate value of input tax credit availed on all imports (for all inputs and capital goods) from outside India or from SEZ units. Such data can be sourced from relevant inward supply registers duly matched with the financials, the bill of entry or other document prescribed under the Customs Act, Customs Tariff Act or rules made thereunder for the assessment of Integrated tax on imports.

Part III - Sr. No. 9: Details of tax paid as declared in the returns filed during the financial year

Pt. III	Details of tax paid as declared in returns filed during the financial year			
9	Description	Total tax payable	Paid	
	1	2	3	
	Integrated Tax			
	Central Tax			
	State/UT Tax			
	Cess			
	Interest			
	Late fee			
	Penalty			

Please refer to Part IV Table 9 of Form GSTR 9 for discussion on this.

Part IV - Sr. No. 9: Particulars of the transactions for the previous FY declared in the returns of April to September of the current FY or up to the date of filing of annual return of the previous FY, whichever is earlier

Pt. IV	Particulars of the transactions for the previous FY declared in returns of April to September of current FY or up to date of filing of annual return of previous FY whichever is earlier					
	Description	Turnover	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
10	Supplies / tax (outward) declared through					

	Amendments (+) (net of debit notes)					
11	Inward supplies liable to reverse charge declared through Amendments (+) (net of debit notes)					
12	Supplies / tax (outward) reduced through Amendments (-) (net of credit notes)					
13	Inward supplies liable to reverse charge reduced through Amendments (-) (net of credit notes)					

Table No.	Instructions
10, 11, 12, 13 and 14	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 5 (relating to inward supplies) or Table 7 (relating to outward supplies) of FORM GSTR- 4 of April to September of the current financial year or upto the date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.

It must be borne in mind that in terms of the proviso to Section 39(9), no rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing return for the month of September (i.e. GSTR-4) following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier. One may refer to the discussion to Part IV of Form GSTR 9 elsewhere in this booklet.

Part IV - Sr. No. 14 Differential tax paid on account of declaration made in 10, 11, 12 & 13 above

14	Differential tax paid on account of declaration made in 10, 11, 12 & 13 above		
	Description	Payable	Paid
	1	2	3
	Integrated Tax		
	Central Tax		
	State/UT Tax		
	Cess		
	Interest		

Please refer to Part V of Table 14 of Form GSTR 9 for discussion on this.

Part V - Sr. No. 15 Other Information Particulars of Demands and Refunds

Pt. V	Other Information							
15	Particulars of Demands and Refunds							
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5	6	7	8
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of							

	taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending out of E above							

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority has been issued shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.

Please refer to Part VI of Table 15 to Form GSTR 9 for discussion on this, namely, a composition taxable person would be entitled to refund on switch-over or when excess tax is paid in cash.

Part V - Sr. No. 16 Details of Credit reversed or availed.

16	Details of credit reversed or availed				
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5
A	Credit reversed on opting in the composition scheme (-)				

Table No.	Instructions
16A	Aggregate value of all credit reversed when a person opts to pay tax under the composition scheme shall be declared here. The details furnished in FORM ITC-03 may be used for filling up these details.

Table 16A: Aggregate value of all credit reversed when a person opts to pay tax under the composition scheme shall be declared here. The details furnished in FORM ITC-03 may be used for filling up these details.

In terms of Section 18(4) of the CGST Act, 2017 where any registered person who has availed input tax credit:

- opts to pay tax under section 10 i.e. Composition,
- he shall pay an amount, by way of debit in the
 - o electronic credit ledger or
 - o electronic cash ledger,
- equivalent to the credit of input tax in respect of
 - o inputs held in stock and
 - o inputs contained in semi-finished or
 - o finished goods held in stock and
 - o on capital goods, reduced by such percentage points as may be prescribed,
- on the day immediately preceding the date of exercising such option
- Note: After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger, shall lapse.

Calculation of input to be paid as per Rule 44 is as follows:

- For inputs held in stock and inputs contained in semi-finished or finished goods.
 - o Calculated proportionately on the basis of corresponding invoices on which credit has been availed by the registered taxable person on such input.
- For Capital goods held in stock
 - o Total input availed on capital stock should be reduced by the number of months used by taking five years as useful life for capital goods.

The amount payable is to be adopted from Table 6 of ITC -03

6. Amount of ITC payable and paid (based on table 5)

Sr. No.	Description	Tax payable	Paid through Cash/ Credit Ledger	Debit entry no.	Amount of ITC paid standard				
					Central Tax	State Tax	UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9	10
1.	Central Tax		Cash Ledger						
			Credit Ledger						
2.	State Tax		Cash Ledger						
			Credit Ledger						

B	Credit availed on opting out of the composition scheme (+)				
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Table No.	Instructions
16B	Aggregate value of all the credit availed when a registered person opts out of the composition scheme shall be declared here. The details furnished in FORM ITC-01 may be used for filling up these details.

Table 16B: Aggregate value of all the credit availed when a registered person opts out of the composition scheme shall be declared here. The details furnished in FORM ITC-01 may be used for filling up these details.

CGST Section 18(1) (c): where any registered person ceases to pay tax under section 10 i.e. Composition Scheme, he shall be entitled to take credit of

- input tax in respect of
 - o inputs held in stock,
 - o inputs contained in semi-finished or
 - o inputs contained finished goods held in stock and
 - o inputs contained on capital goods
- on the day immediately preceding the date from which he becomes liable to pay tax under section 9:

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

Procedure for Claiming ITC in terms of Rule 40 of CGST Rules 2017

1. A Registered person should file both for Capital Goods and Inputs the -
 - ✓ Electronic declaration the in-Form GST ITC-01;
 - ✓ On common portal within 30 days from becoming eligible to avail credit
 - ✓ Specify the details of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods held immediately the previous day when he became liable to pay tax under section 9.

2. The declaration shall be certified by a practicing CA or Cost Accountant if the aggregate claim of CGST, SGST, IGST credit exceeds Rs. 2 lacs.
3. The credit ITC claimed under this clause shall be verified with the corresponding detail furnished by the supplier in Form GSTR-1.
4. As per Rule 40 of the CGST Rules, 2017 input tax credit on capital goods shall be claimed after reducing 5% of the tax portion per quarter or part thereof from the date of invoice or other documents till the date when he became liable to pay tax under section 9.

Values for this table 16B shall be fetched from Table 8 of ITC-01

8. Claim under section 18 (1) (c) or section 18 (1)(d)

Details of stock of inputs, inputs contained in semi-finished goods or finished goods and capital goods on which ITC is claimed

Sr. No.	GSTIN/Registration under CX/VAT of supplier	Invoice */ Bill of entry		Description of inputs held in stock, inputs contained in semi-finished or finished goods held in stock, capital goods	Unit Quantity Code (UQC)	Qty	Value** (As adjusted by debit note/credit note)	Amount of ITC claimed (Rs.)				
		No.	Date					Central Tax	State Tax	UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9	10	11	12	13
8 (a) Inputs held in stock												
8 (b) Inputs contained in semi-finished or finished goods held in stock												
8 (c) Capital goods in stock												

* In case it is not feasible to identify invoice, principle of first in and first out may be followed.

** The value of capital goods shall be the invoice value reduced by five percentage points per quarter of a year or part thereof from the date of invoice

Part V - Sr. No. 17 Late fee payable and paid

One may refer to Part VI of Table 19 of Form GSTR 9 for discussion on this.

17	Late fee payable and paid		
	Description	Payable	Paid
	1	2	3
A	Central Tax		
B	State Tax		

Table No.	Instructions
17	Late fee will be payable if annual return is filed after the due date.

Chapter 11

Analysis of GSTR-9C

Introduction

Form GSTR 9C is the relevant form prescribed in terms of Rule 80(3) of the CGST Rules. This has two parts to it: Part A titled the "Reconciliation Statement" and Part B is the Certification portion. Part I captures the basic details of the Registered Person under Part A (Reconciliation Statement) which has 4 Sl. Nos. Each of the Sl. Nos is significant in terms of the disclosure requirement.

Comparative view of Form GSTR-9 and GSTR 9C

Sl. No.	Return in GSTR 9	Statement in GSTR 9C
1	It is the report of a formal or official character giving information	Means the formal statement to be made under the provisions of the Act the veracity of which needs an enquiry as to its correctness
2	Prescribed under a Statute	Prescribed under a Statute
3	To be filed by all registered persons	To be filed only if the aggregate turnover in a financial year exceeds Rs. 2 Crores.
4	No threshold	Subject to threshold
5	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct taxes under Section 51 and persons required to collect taxes under Section 52.	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct taxes under Section 51 and persons required to collect taxes under Section 52.
6	No need to annex financials	Financials to be annexed
7.	a. A plain reading of the relevant provisions indicate that the said Annual Return in GSTR 9 and the Reconciliation Statement in GSTR 9C must be filed together. However, if one were to peruse GSTR 9C there are certain tables which state that "turnover as declared in annual return" indicating thereby that GSTR 9C is	

	dependent on GSTR 9. This anomaly can be addressed only on the basis of the finalized annual return initialled and presented to the GST auditor by the registered person.
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	PART – A -Reconciliation Statement	
Pt. I	Basic Details	
1	Financial Year	
2	GSTIN	
3A	Legal Name	<Auto>
3B	Trade Name (if any)	<Auto>
4	Are you liable to audit under any Act?	<<Please specify>>

Instructions	
- The details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately. - The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.	

Analysis

PART-I - Sl. No. 1 : Financial Year

This Sl.No. requires disclosure of the “financial year” to which the Reconciliation Statement in Part A relates to. The expression financial year has not been defined under the GST laws. However, in terms of the General Clauses Act “financial year” shall mean the year commencing on the 1st day of April and closing on the 31st day of March. It is important to understand the meaning of the expression “financial year” in the first year of the GST regime because the GST laws came into operation on the 1st day of July, 2017. For all intents and purposes, for the financial year 2017-18, the GST Laws stood applicable only for nine months commencing from July 2017 to March 2018. So, in this Sl. No. one may mention “2017-18” (9 month commencing 1st July 2017 and ending on 31st March, 2018).

Part I - Sl. No. 2 : GSTIN

- (i) GSTIN means the “Goods and Services tax Identification Number” of the tax payer or the Registered Person. Each tax payer, on his successful registration, would be assigned a State-wise PAN based 15-digit GSTIN. The first 2 digits of the said GSTIN

would represent the State code, as per the Indian Census 2011 viz., Karnataka 29, Delhi 07 etc. The next 10 digits would be the PAN of the tax payer. It implies that if one is not allotted a PAN, he cannot be registered under the GST Laws. The 13th digit would be based on the number of registrations within a State, while the 14th digit would be assigned based on the nature of the business of the Registered person. The 15th digit is a check code which can be a “numeral” or an “alphabet”.

- (ii) In the case of a Non-resident taxable person (“NRTP”), Rule 13 of the CGST Rules permits registration even without PAN. In such case, registration shall be granted based on the tax identification number or unique number on the basis of which the entity is identified by the Government where the said entity is based.
- (iii) GSTIN based on PAN ought to be validated based on the following documents: Refer clause (ii) of Part1 – Sl. No. 2.: GSTN.
- (iv) As and when such errors are noticed during the GST audit, the GST Auditor should disclose such information appropriately. He must also consider other implications due to such errors.
- (v) Conclusion

Thus, the importance of verification of the GSTIN is paramount. The GST Auditor needs to thoroughly examine the issues related to this Sl. No.

Part I - Sl. No. 3A and 3B: Legal Name and Trade Name

1. A “name” is that by which a person is known or called. The said “name” is a word or words, designation or appellation used to distinguish a person. A “name” cannot be used as a metaphor, but it could be an abbreviation.
2. The word “legal” used in Sl.No. 3A in GSTR 9C in Part A is used in the backdrop of a legislation. Therefore, it must be lawful. While a “name” is a word(s) by which a person is known, the expression “legal name” is with reference to a statute.
3. For instance, a person can be named “Sandy”, but his legal name could be “Santosh”. Another instance could be “HUL” which legally is Hindustan Unilever Limited.
4. The word “trade” used in Sl.No. 3B of Part A may not be limited to occupation or business. It could be a connotation. The word “trade” ought to be understood in its ordinary sense, without any reference to “business”. For instance, “Indigo” could be a trade name while the legal name is “InterGlobe Aviation Limited”. Likewise, “Chancery Pavilion” is a trade name and “Elixir Enterprises and Hotels Private Limited” is a legal name.
5. Therefore, understood, trade name is used by trade and industry to identify their

businesses symbolizing their reputation. Caution must be exercised in listing the trade name and legal name in Sl. Nos. 3A and 3B.

6. It is possible that some Registered Persons may not have a trade name. In such situations, Sl.No. 3B of Part A would not be applicable. Therefore, NOT APPLICABLE is to be stated in Part A which could be verified from the <<auto populated>> data.
7. Individual entities are normally identified by their legal name while the trade name could be different. For instance, a concern carrying on legal business by a proprietor could have a legal name known by the name of that individual while the trade name could be individual's name followed by and Co / and Associates or by a completely different name. For instance, "Prasad" could be the name of an advocate while the legal name of his concern could be "PR Associates" or "Prasad and Co."
8. The legal name and trade name ought to be verified with the certificate of registration issued by the tax department in Form GST REG – 06. Similarly, if the Registered Person is a company registered under the Companies Act, 2013, the legal name / trade name can be verified with the Certificate of Incorporation and in case of partnership firm by the certificate issued by the Registrar of Firms.

Notes to consider

- (i) Legal name in the documents under other statute does not match the legal name on the registration certificate.
 - (ii) Trade name is not disclosed on the registration certificate.
9. Any discrepancy in the "Trade Name" and "Legal Name" may necessitate an amendment under the appropriate law. E.g. the name of the Company in the Certificate of Incorporation is "XYZ Advertising Private Limited" whereas in the certificate of registration under GST it could be "XYZ Advertising Limited" which would require an amendment bearing in mind the correct name, which is the Certificate of Incorporation in this case.

Conclusion

Therefore, the distinction between a trade name and a legal name must be clearly understood and borne out in Sl.No. 3A and 3B of Part A, and should not be used interchangeably. The details sought at Sl.No. 1, 2, 3A and 3B are common for GSTR 9, GSTR 9A and GSTR 9C and hence the write up would equally apply to these Sl.Nos.

Part I - Sl. No. 4 : Are you liable to audit under any Act?

The Sl. No. "Are you liable to audit under any Act?" mentioned in GSTR 9C needs elaboration. It is possible that an entity could be subjected to audit under several statutes. For instance a Proprietary Concern could be subject to audit under the Income tax Act, 1961 and a Private

Limited Company could be subject to the statutory audit under the Companies Act, 2013 as well as under the Income tax Act. Similarly, a society registered under the Societies Registration Act may be subject to audit under that Act as well as under the Income tax Act. This fact must be specified in Sl. No. 4. It is currently not clear if the response to this question would be YES / NO or would be to select from a drop-down menu the statute under which the tax payer has been subjected to audit.

Part II: Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR 9)

This Part seeks to reconcile the gross turnover in terms of audited financial statements with the turnover declared in the annual return. Importantly, in the table in Part II, all the streams of the income needs to be duly reconciled (reflected appropriately) in each of the Sl. Nos. An Auditor is required to exercise caution while carrying out this reconciliation exercise. This is because he may have to consider the schedules, groupings, notes, disclosures, qualifications etc., of the Auditor who certifies/attests the audited financial statements. In cases where the financial statements are audited by another person, the GST Auditor may have to fall back upon the working notes made available to him.

Part II - Sl. No. 5A: 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)

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)	

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities would have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.

Introduction

Sl. No. 5A is intended to report the turnover as per the audited Annual Financial Statement for a GSTIN. There may be cases where multiple GSTINs (State-wise) registrations exist for the same PAN. This is common for persons / entities with presence over multiple States or in respect of multiple registration in a single State/UT. The Government vide its instructions has indicated that such persons / entities would have to internally derive their GSTIN wise turnover and provide to the Auditor to verify and declare in this Sl. No.

The Auditor must bear in mind that in a real business environment several entities may not be in a position to provide such derived turnovers. In such a situation, the Auditor has to engage suitably himself and carry out this exercise. A bird's eye view of how this exercise is to be carried out is provided in Section 1 of this book.

Analysis

In case of a registered tax payer having single GSTIN, statement of profit and loss account (or income and expenditure account) read together with the corresponding notes and the Balance Sheet would form the primary basis for this Sl. No. In cases where a registered tax payer has multiple registrations, information must flow from trial balance of the respective GSTIN.

Turnover to be declared under this Sl. No. must flow from the 'audited financial statements' even if such turnover consists of adjustments/ revenue recognition on account of a requirement of an Accounting Standard (E.g.: AS 7 in case of 'Construction Contracts'). It **cannot and must not** include "Deemed supplies under Schedule I" as Sl. No. 5D separately covers such adjustments.

While considering the turnover from the audited financial statements, the Auditor is also required to include indirect income in the form of dividend, interest, forex fluctuation, profit on sale of assets, etc. Any amount of return supplies credited to purchase or expenditure account would not be considered for the purpose of arriving at the turnover under Sl. No. 5A. Such adjustment has been dealt with under appropriate Sl. No. in this Part.

This Sl. No. requires the Registered Person to declare '*turnover for the State/UT*' (to be understood as 'turnover in State/UT' as defined u/s 2(112) of the Act) as per **audited financial statements**. Further, term '*audited financial statements*' has not been defined in the Act. For discussion on the audited financial statements you may refer to Section I of this book.

The turnover in State/UT to be disclosed includes all (whether taxable, zero rated or not) supplies effected by the Registered Person from the State/UT (GSTIN wise). Some experts are of the view that the turnover of the foreign branch/office of the Registered Person, who controls those operations and maintains oversight, must be declared under this Sl.No. while care must be exercised to exclude the same while computing taxable turnover. In cases of multiple GSTINs, such turnover (of overseas branch/office) may need to be reported in the

GSTIN which controls the foreign office. This would suitably reflect and reconcile the gross turnover of an entity.

Since the information has to be in the context of each registrant, the Registered Person and the Auditor must be equipped to file the said Form for every registration. The Registered Person must be able to carve out a trial balance for every State/UT (viz. every registration) from the consolidated trial balance of the entity for which the financial statements are prepared and audited. If this is not possible, then the Registered Person must derive the transactions of every registration from the single trial balance for the entity which was the subject matter of audit.

It is possible that different Auditors are appointed for certifying GSTR 9C for different registrations of the entity. As multiple Auditors are involved in certifying the GSTR 9C, the Registered Person and every Auditor must ensure that the turnovers declared by different Auditors must reconcile and add up to the total turnover of the entity as per the audited financial statements. Drawing analogy from SA 299 on "*Responsibility of Joint Auditors*", an Auditor must communicate with the other Auditors to obtain details of turnover declared by them. Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different Registered Persons aggregate to the audited financial statements. Such an exercise would also be required where multiple registrations are obtained within the same State / UT for different business verticals. An Auditor must also exercise caution while applying the requirements of Accounting Standard 17 on "*Segment Reporting*" or Ind-AS 108 on "*Operating Segments*" as the case maybe, which requires Companies to disclose various segments of the entity. Such disclosures made by the entity in the Financial Statements would be helpful in deriving the turnover of the entity amongst various business vertical(s).

Turnover in State/UT includes export of goods, services or both effected from that State/UT. Care must be taken not to include the inward supplies received by the Registered Person on which tax has been paid under reverse charge (RCM). Like the tax paid under RCM cannot become output tax, inward supplies on which tax is paid under RCM cannot become outward supplies viz. turnover.

Checks and balances to validate correctness and completeness:

To ensure completeness and correctness of the details of turnover to be declared under this Sl.No., the following checks could be used:

1. turnover in State/UT (in case of single registration) must reconcile to the turnover disclosed in the audited financial statements;
2. turnover in State/UT (in case of multiple registration) must reconcile to the turnover as recorded in the books of accounts of each registration;
3. Master reconciliation to ensure that the details of turnover declared for different

registrations (in case of multiple registrations either due to presence in multiple States/UTs' or due to unit(s) in SEZ) with the total turnover of the entity

Precautions:

While declaring the turnover details, the following precautions could be adopted:

1. As this Sl.No. specifically requires turnover from 'audited financial statements', the Auditor, to start with, must use the audited financial statements. If the financial statements/ books of accounts are not required to be audited under any other law (for instance a partnership firm having revenue lower than Rs.2 crore in a financial year but the aggregate turnover under GST exceeds Rs. 2 crore), then the Auditor must only engage himself based on financial statements provided by the entity and make suitable disclosure.
2. Establishing the completeness of the turnover details as per the audited financial statements if those financial statements have been audited by another Auditor;
3. Understanding how the accounts have been derived by the Registered Person and ensuring their correctness. In situations where multiple registrations are obtained in the State/UT due to different business verticals or unit(s) in SEZ, the accounts must be specifically examined as there could be errors/ mistakes/ accounting mismatches (E.g. turnover of one registrant could be accounted as turnover of another registrant). Though the financial statements would not have any impact for the entity as they are mutually cancelling each other, these mistakes must be rectified as they would affect the reported turnover of the respective Registered Person.
4. The audit has to ensure that the inter-unit / branch accounts are reconciled at the end of the year for verifying their correctness and completeness. The Auditor is also required to ensure that wherever revenue is transferred from branch accounts to the head office accounts (and vice versa), while computing the turnover of the head office, the same shall not be reckoned twice in this Sl. No.
5. However, in case only one trial balance is maintained for the entity, even though it has multiple GSTINs, the Auditor is to ensure that the data of turnover is extracted GSTIN wise and at the consolidated level it matches the audited financial statements.
6. Ensure to communicate to the other Auditors of the Registered Person furnishing this reconciliation for other States/UTs' to work out a thorough reconciliation of turnover to be declared.

List of documents:

The following list of documents could be obtained by the Auditor for the purpose of declaring the details of turnover under this Sl. No.:

1. Audited financial statements for the FY to derive the total turnover of the Registered Person;

2. Registrant-wise trial balance to facilitate furnishing the Form GSTR 9C for each registrant;
3. Communication with the other Auditor to obtain details of the turnover declared by them to ensure completeness and holistic reconciliation of turnover of the Registered Person;
4. Form GSTR 9C, if already filed by a different Auditor, in case of multiple registrations of the Registered Person;
5. GST (Viz. Form GSTR 3B and Form GSTR 1) returns filed by the Registered Person to ensure that the turnover declared in the returns match the turnover captured in the audited financial statements
6. Income tax Returns (ITR) to ensure that the turnover details are reconciled with the turnover per GST.

Disclosure:

Notes to reconciliation may contain disclosure regarding certain limitations inherent in this exercise:

- In line with the ICAI Regulations, the Auditor must suitably disclose the fact that he has relied upon audited financial statements attested by another Auditor
- In case where the Registered Person is not required to get the accounts audited under any other law, the reasons for the same may be mentioned.

SI. No. 5B. Unbilled revenue at the beginning of Financial Year

5B	Unbilled revenue at the beginning of Financial Year	(+)	
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Table No.	Instructions
5B	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here. (For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)

Introduction

To comprehend the scope of these SI. Nos, there is need to understand the concept of 'Unbilled revenue'. In simple terms, unbilled revenue is the revenue recognized in the books of accounts before the issue of an invoice at the end of a particular period. Accounting Standard-9 / IND AS 115 provides for recognition of revenue on full completion / partial completion of

the services though the due date for issuing invoice as per the contract would be on a later date. It is advisable to refer to AS-9 / IND AS 115 for a better understanding of the concept.

Clause 5B requires the addition of unbilled revenue at the beginning of a Financial Year. Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the earlier financial year for which the invoice is issued under the GST law is required to be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized as income in the earlier year), the value of such revenue is to be declared here.

Analysis

Unbilled revenue would appear in the profit and loss account of the previous year. For information of unbilled revenue at the beginning of a Financial Year, reference may be made to previous year's audited financial statements. However, as the GST was introduced from 1st July 2017 one needs to be careful to exclude invoices raised during the period April 2017 to June 2017 from the computation. The expression 'financial year' for 2017-18 has already been explained above to be of 9 months, commencing 1 July, 2017, the value under this clause must be reckoned as at 30th June, 2017

In case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

➤ Validation of information

Under the GST, the liability to pay tax arises upon supply of services as per Section 9 of the CGST Act at the time specified under Section 13 of the Act. As per this section Act, the time of supply of services shall generally be:

- (a) The date of **issue of invoice** by the supplier (if the invoice is issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier.
- (b) The date of **provision of service** (if the invoice is not issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier.
- (c) The date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two provisions do not apply

As per Section 31(2) an invoice for supply of services needs to be issued before or after the provision of service but not later than thirty days from the date of provision of service. From the above it is clear that, if the supplier does not receive money in advance, he gets 30 days' time from the date of provision of service to raise invoice and collect tax on the same. Therefore, there would be a timing difference in the recognition of revenue in the books of accounts and the GST provisions. Because of this, Sl. No. 5B is necessary to reconcile the revenue between the books and the GST returns.

Further, it would be useful if the information is maintained in the tabular form:

Particulars	Amount (Rs.)
Opening balance of unbilled revenue as on 31 st March 2017	XXXX
Less: Invoice raised during the period April 2017 to June 2017	(XXXX)
Less: Invoice raised during the period July 2017 to March 2018	(XXXX)
Add: Unbilled revenue recognized as on 31 st March 2018	XXXX
Closing balance of unbilled revenue as on 31 st March 2018	XXXX

Another aspect to note in the opening unbilled revenue for the year 2017-18 is to reconcile the same with the transition declaration filed under Section 142(11) in GSTR Form TRAN 01. Section 142(11) deals with overlapping transactions or transactions having relevant events in both the erstwhile law and the GST.

Illustration

In some situations the unbilled revenue may arise, (Please note that what would appear in Sl. No. 5B would only be the transactions for which invoice is raised during July 2017 to March 2018):

1. Representation services provided on 25th of March for which invoice is raised on 5th of April would be recognized as unbilled revenue. However, this would not be part of Clause 5B as this transaction is of the period April 2017 to June 2017.
2. IT/ITES services provided for the month of March 2017 for which invoice is raised on 1st of July 2017 as per the terms of contract would be recognized as unbilled revenue.
3. Fixed landline charges for the month of March would be recognized as unbilled revenue to the extent of billing cycle in the subsequent month/quarter.
4. Rental contract for which billing is on 20th of every month, unbilled revenue would be recognized in the books of accounts as on 31st March to the extent of 11 days of services provided in March.
5. Maintenance contract for which billing is on 5th of the subsequent month, unbilled revenue would be recognized in the books of accounts as on 31st March.
6. Cost incurred as on 31st March towards construction services for which billing would be done on reaching the milestone in September 2017.
7. In the case of cost-plus companies, if any cost is excluded from billing cycle during the financial year and is identified at the time of Audit, it would be booked as unbilled revenue in the books of accounts and invoice would be raised in the month in which it is identified i.e. September or October 2017.

Notes to consider/control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Reconcile with corresponding declaration made under 142(11) in GSTR Form TRAN 01;
- Must be vouched / checked with notes to accounts in the Balance Sheet (PY and CY);
- Notes to GSTR FORM 9-C may be drafted for this Sl. No. as to the manner of its quantification from the books and records and correlated with returns filed in GSTR Form 3-B;
- Cross link with corresponding item in FORM GSTR 9 – Part III Sl. No. 6K;
- Invoices raised during April 01, 2017 to June 30, 2017 to be excluded and reconciled with GSTR TRAN 01;
- Adequate attention of the reader must be drawn to “Notes on accounts” and “Significant Accounting policies” in cases of entities which need to adhere to Statutory Audit provisions under the allied laws.

Disclosure

Reliance has been placed on the audited financial statements for determining the unbilled revenue and no separate exercise is conducted to validate the same.

Sl. No. 5C Add: Unadjusted advances at the end of the Financial Year

5C	Unadjusted advances at the end of the Financial Year	(+)	
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Table No.	Instructions
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.

Sl. No. 5I Less: Unadjusted advances at the beginning of the Financial Year**Introduction**

The scope of Part II Sl. No. 5C and 5I is to make adjustment of Unadjusted Advances to Audited Financials for arriving towards the GSTR 9 turnover.

Analysis

It is a business practice to collect advances from customers before effecting supplies. When an advance is received, since the goods and / or services would not have been delivered / rendered, the revenue is not yet earned, whereby this advance would be recorded as a liability (either as current liability or long-term liability) in the balance sheet as at the end of the financial year.

For Supply of Goods

Sec 12(2): The time of supply of goods shall be the earlier of the following dates, namely: —

- (a) the date of issue of invoice by the supplier or the last date on which he is required, under sub-Section (1) of Section 31, to issue the invoice with respect to the supply; or
- (b) *the date on which the supplier receives payment with respect to the supply:*

The Government issued NN 40/2017-CT dated 13th October 2017 in terms of Section 148 of CGST Act to relax Registered Persons having aggregate turnover less than Rs. 1.5 crores from paying tax on such advances. This facility was extended to all Registered Persons without threshold limit vide NN 66/2017-Central tax, dated 15th Nov 2017 but only in the case of supply of goods.

In terms of the above notifications, an Auditor has to examine whether the Registered Person has paid tax on advances till 15th Nov 2017.

For Supply of services

CGST Section 13 (2)

The time of supply of services shall be the earliest of the following dates, namely: —

- (a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under Section 31 or the date of receipt of payment, whichever is earlier; or
- (b) the date of provision of service, if the invoice is not issued within the period prescribed under Section 31 or the **date of receipt of payment**, whichever is earlier; or
- (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply:

Explanation—For the purposes of clauses (a) and (b)—

- the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment;
- “the date of receipt of payment” shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

Therefore, any advances received from customers before the date of supply, on receipt of advance GST, have to be discharged

Reporting in the GST

- (a) Calculate tax on the Advance Received:

One has calculated tax on advance and paid tax while filing the return for that month. The advance received (if exclusive of tax) would be considered as cum-tax. Two important points to note:

- (a) Whenever the rate of tax cannot be determined during receipt of advance, GST @ 18% has to be charged.
- (b) Whenever the nature of supply cannot be ascertained, the advance is considered as inter-State supply and IGST has to be paid.

For Example:

Mr. A enters into a works contract for Rs. 10,00,000 on 15th March 2018. He receives Mobilization advance of Rs.5 lacs without any GST component on the same date. Now, as on 31st March 2018, GST has to be discharged for this Rs. 5 lacs as follows:

taxable value	118/100*100	423729
GST	118/100*18	76271
Transaction value	118	500000

Reporting in GSTR 1

Rate	Gross Advance Received/adjusted	Place of supply	Amount			
			Integrated	Central	State/UT	Cess
1	2	3	4	5	6	7
I. Information for the current tax period						
11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)						
11A (1). Intra-State supplies(Rate Wise)						
11A (2). Inter-State Supplies(Rate Wise)						
11B. Advance amount received in earlier tax period and adjusted against the supplies being shown in this tax period in Table Nos. 4, 5, 6 and 7						
11B (1). Intra-State Supplies (Rate Wise)						
11B (2). Inter-State Supplies(Rate Wise)						

From the accounting perspective, advances received would be considered Income received in advance and would be carried as a Liability in the Balance Sheet. This becomes Revenue only after supply.

Hence, there would be an adjustment in GSTR 9C 'UNADJUSTED ADVANCES'.

1. It must be acknowledged that the turnover of the FY 2017-18 as per the audited Financial Statement would not include advances received.

2. Whereas this amount would have been offered to tax and reflected in annual return GSTR 9.
3. In order to reconcile these two, since the advances are included in the GST turnover, any unadjusted advances at the end of the Financial Year 2017-18 shall be added to the turnover of the FY 2017-18 as taken in Clause 5A in order to nullify the effect and to arrive at the turnover of GST.

Advances received would be for various purposes. Therefore, only Advances on which GST is liable should be considered for adjustment.

Include for Adjustment

Sl.No.	Particular's	Reason
1.	Advance received for services as on 31 st March 2018	Revenue not recognized in books, but offered to tax for GST
2.	Advance received for Goods before 15 th Nov 2017 and the supply of goods not complete as on 31 st March 2018	Revenue not recognized in books, but offered to tax for GST

Do NOT Include for Adjustment

Sl.No.	Particular's	Reason
1.	Advance received for EXEMPTED services as on 31 st March 2018	GST is not applicable
2.	Advance received for Goods after 15 th Nov 2017	GST is not applicable
3.	Financial Advances received (loan)	NOT a GST Transaction
4.	Deposits received	GST is not applicable

1. Revenue Recognition Policy as per Accounting Standard

Accounting Standards of AS 9 (Revenue Recognition) and IND AS 18 (Revenue) follow the matching concept of revenue to expenses. Accordingly, the Accounting Standard stipulates the policy for revenue to be recognized in the case of

- (a) Goods
- (b) Services

2.1. AS 9

As per AS 9, revenue is the gross inflow of cash, receivables or other consideration arising in

the course of the ordinary activities of an enterprise from the sale of goods, from rendering services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them.

2.1.1. Revenue from sale of goods as per AS

A key criterion for determining when to recognise revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognised at the time of transfer of significant risks and rewards of ownership to the buyer

2.1.2. Revenue from rendering of services as per AS

Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

Proportionate completion method— Performance consists of the execution of more than one act. Revenue is recognised proportionately by reference to the performance of each act. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognised on a straight-line basis over the specific period unless there is evidence that some other method better represents the pattern of performance.

Completed service contract method—Performance consists of the execution of a single action. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed till the execution of those actions. The completed service contract method is relevant to these patterns of performance and accordingly revenue is recognised when the sole or final act takes place and the service becomes chargeable.

2.1.3. Ind AS 18

As per Ind AS 18, revenue includes only the gross inflows of economic benefits received and **receivable** by the entity on its own account. It shall be measured at the **fair value of the consideration received or receivable**.

2.1.4. Revenue from sale of goods as per Ind AS

Revenue from the sale of goods shall be recognised when **all** the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction would flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.1.5. Revenue from rendering services as per Ind AS

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction would flow to the entity;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) the costs incurred for the transaction and the cost for completion the transaction can be measured reliably.

During audit/certification, it would be relevant for the Auditor to take note of the revenue recognition policy adopted by the Registered Person and its impact for arriving at the values to be disclosed under this heading.

As per Instructions the value of all advances for which GST has been paid but has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.

The following are the control checks that an Auditor should perform for validation of the amounts reported under this head:

1. For a clear demarcation of unadjusted balances i.e. 11A – 11B should be computed
2. Balance as per the books of accounts to be arrived as per the methodology
3. If the amount mentioned in Clause No. 1 above does not match with Clause No. 2, a GST Auditor should adopt advances received as per books.
4. Generally, a Trial Balance is prepared entity wise and thereafter the financials are segregated for the profit and loss account and the Balance sheet items GSTIN wise.

Information reported in GSTR 1 may not be required to be adopted at face value, whereas, an Auditor has to cross check the data which is available in the Trial Balance.

Suitable Management representation letter has to be obtained since this information is not available on the face of financial statements.

Source of information

- (a) All information reported here must flow from GSTR 1. As such, the working notes for the preparation of GSTR 9 would involve summation of data from GSTR 1 filed for Jul 2017 to Mar 2018, whether reported during 2017-18 or 2018-19 (up to Oct 31, 2018 or Dec 31, 2018) as well as any advances which were not reflected in those returns. Reference may be made to NN 44/2018-CT dated Sept 10, 2018 which enables the filing of GSTR 1 returns for the period upto September 2017 till 31st October 2018.
- (b) Books of Accounts
 - (a) Audited Financial statements
 - (b) Break up of Short Term and Long-Term Current Liabilities
 - (c) Groupings which include income received as advances or advances from customers.
 - (d) Documents underlying sourcing the nature of receipts as to Goods and / or services.
- (c) GST Returns
 - (a) The sum of 11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)
 - (b) The sum of 11B. Advance amount received in an earlier tax period and adjusted against the supplies shown in this tax period in Table Nos. 4, 5, 6 and 7
 - (c) Net Advances received but not adjusted for supply a - b

Validation

- (a) The value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.
- (b) Even if not considered in the returns GSTR 1 and GSTR 9, the same shall be added as turnover here.

Sample Transactions in 2017-18 (based on the illustration cited above)

On Receipt of Advance

Bank Account A/c Dr.	5,00,000		Balance Sheet Current Asset
To Party A/c Cr. (or) To Advance from Customer		5,00,000	Balance Sheet Current Asset or Balance Sheet Current Liability

On Filing of GSTR 1 Table 11A

GST on Advance A/c Dr.	76,271		Balance Sheet Current Asset
To GST Liability A/c Cr		76,271	Balance Sheet Current Liability

Sample Transactions in 2018-19*On Provision of Services (actual billing)*

Party A/c Dr	11,80,000		Balance Sheet Current Asset
To Sales A/c Cr.		10,00,000	Profit and Loss Account Income
To IGST Liability A/c Cr.		1,80,000	Balance Sheet Current Liability

On Filing of GSTR 1 Table 11B – Reversal of Liability

GST Liability A/c Dr	76,271		Balance Sheet Current Liability
GST on Advance A/c Cr.		76,271	Balance Sheet Current Asset

These reversal entries prevalent throughout the year, are reversed usually at the end of every month. Thus, the only entry which is to be given effect for reconciliation between Audited Financials and Annual Returns is the unadjusted entries that are lying at the end of the financial year.

Audited Revenue as per 5A	xxxxx
	
	
Add :5C Unadjusted advances at the end of the Financial Year	4,23,729
	
	
5P Annual turnover after adjustments as above	xxxxx

Notes to consider

Some of the common errors might be

- Considering the total advances irrespective of the fact that it is for exempted supply;
- Ignoring the advances for goods for the period up to 15th October 2017 which is remaining to be supplied in this computation;

Additional notes to consider

- Amendments made to GSTR 1 Table 11 in the subsequent financial years

- (b) Advances received from customer could be credited to Sundry Debtors account or separately under Current Liabilities,
- (c) Advances where GST is not payable need to be identified and excluded (as illustrated supra, Advance for Goods, Advances for Exempted services)
- (d) Advances which are in the nature of Financial Transactions (loan) are to be ignored.

Conclusion

Reporting of Unadjusted Advances is an important aspect of the audit. The Auditor may have to examine the trial balance and financial statements in order to ascertain such advances.

Sl. No. 5D. Deemed Supply under Schedule I

5D	Deemed Supply under Schedule I	(+)	
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Table No.	Instructions
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.

Introduction

Clause 5D seeks to cover aggregate value of four classes of deemed supplies transactions specified under Schedule I of the CGST Act. Any deemed supply which is already reported as part of the turnover in the audited Annual Financial Statements is not required to be included in this Sl. No.

Analysis

As the requirement of this Sl. No. is to report the transactions which were not reported in the financial statements, though the same are reported in the returns filed since they are treated as deemed supplies under the GST law, there is no direct source will indicate the value of deemed supplies under any part of the returns or statement filed. Details regarding this have to be extracted from the books/records.

E-Way bills raised would be a good guiding factor to identify such instances in respect of goods while an Auditor may have to delve deeper to understand the transactions relating to services. For instance, transactions relating to stock transfer of goods may be extracted from delivery challans or on an analysis of e-way bills, whereas transactions of service transfers will be based on an understanding of the nature business.

Since this information may not be readily available from books, it might be relevant for the Auditor to design his audit/verification program to include possible deemed supply

transactions to ensure the proper reporting of this aspect. Though it is possible for the Auditor to envisage most of the scenarios, it is better to take proper management representation for the completeness of these transactions.

The Auditor should look beyond the books of accounts and look for alternative evidence and information for reporting in SI.No. 5D.

1. *Permanent Transfer or disposal of business assets where input tax credit has been availed on such assets*

Of the 8 forms of supply, the only forms that qualify as supply under this category are 'transfer' or 'disposal'. Therefore, any transfer or disposal of business asset needs to be verified from the Fixed Assets Schedule and reported here. All discarded/sale of assets would find mention in the disposal of Assets column in the Fixed Assets register / schedule and this would be a good indicator to ascertain if tax has been calculated on such disposals.

Donated Assets too are subject to the GST. Certain other examples would be the decommissioning of an entire plant, impairment of assets, assets taken by a proprietor on completion of their useful life (computer taken by the proprietor) etc. In each such cases, the Auditor has to carefully check if input tax credits have been availed and if they have been, then such transactions would attract the levy of GST. Where such assets have been procured under the old law and have been discarded, transferred or disposed of in the GST regime, then the transaction would be deemed to be one of supply and attract levy.

2. *Supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business:*

For a detailed discussion on the conduct of audit of multi-location entities, please refer to Chapter 4.

Gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

The Auditor must also remember to determine whether such a gift is a unilateral act of the employer to an employee. It should not be relatable to the terms of employment or supply. For example, a software engineer who has achieved a particular milestone, may be gifted a car (which is not relatable to the terms of employment). Such a transaction would be one of deemed supply and will attract the levy of GST.

Intra-Company transactions:

Intra-Company transactions such as stock transfer, which are taxed in the GST regime in case of inter-state supplies or between business verticals within the same State

where separate registration has been obtained under the GST law, are not strictly speaking taxable supplies of the Company. But this Sl. No. in Schedule I deem such transactions as those which attract payment of taxes. The effect of these transactions gets nullified at the consolidated financial statement level and therefore, identifying and reporting of such transactions for audit purposes would require special attention. Valuation for stock transfers would not be an issue so long as the tax paid by the supplier on such stock transfers qualify as input tax credit in the hands of the receiving branch. However, if the tax paid on such stock transfers do not qualify as input tax credit, valuation in terms Section 15 of the CGST Act read with Rule 27 to 35 of the CGST Rules would have to be factored.

3. *Supply of goods-*

- (a) *by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or*
- (b) *by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.*

In case of consignment or agency transactions, the reporting in terms of this Sl. No. are to be reflected as outward supplies in the hands of the Principal and as inward supplies in the hands of the consignee and not just commission earned by the Agent.

An Agent of the Principal is one who carries on the business of supply or receipt of goods or services or both on behalf of the Principal. The Agent functions as an extended arm of the Principal and, therefore, supplies (inward and outward) effected by an Agent on behalf of the Principal would be treated as supplies effected by the Principal.

The Principal shall recognise the transfer of goods to an Agent as a supply, at the time of effecting such transfers. The Agent who supplies such goods on behalf of the Principal would have to issue the invoice to the third-party recipient in the name of the Principal.

The reporting of the supply value to the customer would have to be reflected by the Agent in his GSTIN.

The value of commission would have to be separately mentioned by the Agent through a separate Invoice.

5. *Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.*

Import of services may not get recorded in the books of accounts on accrual basis since such transactions are with related persons. But an inference could be drawn by the Auditor on a perusal of the past transactions, wherein such expenses have been incurred on a regular basis.

Illustration

- Transfer of machinery from Agra Branch to Bengaluru Branch without consideration for indefinite usage in production activity is a supply although there is no consideration involved.
- An Architect located in New Jersey, USA may provide services to say his brother who is a builder in India and is a taxable person.
- Foreign branch supplying manpower to the Head Office located at Hyderabad.
- Cloud servers and data storage facilities are commonly shared by a group of entities. Each region is allocated its share of cost. In such instances, it is possible that due to differences in the financial year closure in various other branches, the relevant cost of the Indian entity may not be recorded. The Auditor needs to ensure that by the year end, these costs are also reckoned the GST has been paid and the relevant input tax credit claimed.

In the above illustrations, even though no consideration is involved, it would still be treated as supply of services without consideration and attract taxes.

Notes to consider

- Improper or incorrect valuation of the supplies made without consideration;
- Not recognizing deemed supply of services between distinct persons;
- Not recognizing transfer of capital goods to distinct persons;

Disclosures for consideration

1. The Auditor has to assess the systems and processes adopted by the entity with a view to identifying such transactions. Suitable disclosure may need to be provided by the Auditor for the basis of such identification and its treatment under the GST Laws.
2. If there is any system / methodology for such an identification, then the Audit has to assess the completeness and correctness of the said system so as to cover all the aspects;
3. To examine records and to confirm if the system is followed consistently.
4. If there is no proper system, to consider the possibility of any transactions that may have escaped attention.
5. In cases of deemed supply transactions, it would be relevant to include suitable disclosures even in the management representation letter.

Sl. No.5E. Credit notes issued after the end of the financial year but reflected in the annual return.

5E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+)	
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Table No.	Instructions
5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.

Introduction

This Sl. No. mandates reporting of the aggregate value of credit notes which were issued after Mar 31, 2018 in respect of any supply accounted in the current financial year (2018-19) but for credit notes were reflected in the annual return (GSTR –9 for the financial year 2017-18). But, it is uncommon, although not impossible, for credit notes dated beyond Apr 1, 2018 to be given effect in the financial accounts. This Sl. No. applies only in such rare cases. For the most part, this Sl. No. may well be 'nil'.

This Sl. No. requires collation of information recorded in the returns filed during the period April 2018 to September 2018 up to the date of filing of the Annual Return in respect of Credit Notes / Adjustments made for the transactions pertaining to the previous financial year. All such Adjustments made / Credit Notes issued and reflected in GSTR1 for the above period should be considered for filling this information. The value of transactions collated as cited supra shall be considered for adjustment of turnover reflected in the Audited Financial Statements to derive the turnover as per the Annual Return in GSTR 9.

Analysis

- Step 1: Prepare a list of credit notes dated beyond Apr 1, 2018
- Step 2: Prepare another list of credit notes adjusted in Table 9A, 9B and 9C of GSTR 1 'for' 2017-18 filed on-time or belatedly.
- Step 3: Validate that these credit notes have not been 'given effect to' in the turnover derived in 5A.

By the above adjustment, the turnover derived from the audited annual financial statements does not contain the 'effect' of these credit notes but GSTR 9 already contains its 'effect' due to their inclusion in GSTR 1 'for' 2017-18. In reconciling turnover in financial statements and GSTR 9, it is important to 'reduce' the turnover in financial statements (at 5A) to enable it to reconcile with turnover in GSTR 9. The 'plus' (+) indicated is to explain that the credit note is a 'negative' value which should be included in this Sl. No.

S1: BOOKS NOT OK RETURNS NOT OK [Transaction of Previous FY]	S2: BOOKS OK RETURNS NOT OK [Transaction of Previous FY]
S3: BOOKS OK RETURNS OK ADDITIONAL INFO --> CHANGE BOOKS [Transaction of Previous FY]	S4: BOOKS OK RETURNS OK ADDITIONAL INFO --> No change in Books [Transaction of Current FY]

Notes to consider

- **Scenario 1:** Transactional Entry wrongly posted in the Books of Accounts and returns also filed accordingly, which are noticed during the subsequent FY call for adjustment of transactions pertaining to the last FY.
- **Scenario 2:** Transactional Entry posted properly in the Books of Accounts and wrong data furnished in the returns filed. Noting this error in the subsequent FY, suitable changes are made in the returns filed during the relevant tax period till the date of filing of the Annual Return or September tax period, whichever is earlier.
- **Scenario 3:** Transactional Entry posted properly in the Books of Accounts and returns also filed properly. Some additional knowledge about the transactional entry of the previous year noted before the Auditor Certification of Books of Accounts calls for the adjustment of Books of Accounts of the previous FY.
- **Scenario 4:** Transactional entries posted properly, and returns filed duly as per the Books of Accounts. Additional information demanded for adjustments to the transactions of the last FY to be incorporated in the current FY. These adjustments don't demand any correction to Books of Accounts of the last FY.

Additional notes to consider

- Information collated for Clause 5E of GSTR 9C should be thoroughly examined with necessary supporting documents furnished to trace back the Transaction in the Previous Financial Year
- Reconcile duly the transactions reported in the returns filed during the previous Financial Year with corresponding Books of Accounts to check the accuracy of adjustments reported in the Current Financial year for the Amendments/ Credit Notes reported as per Table 9 of GSTR1

Conclusion

Therefore, 5E of GSTR 9C contains information pertaining to credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9).

Sl. No. 5F. Trade discounts accounted for in the audited Annual Financial Statement but are not permissible under GST

5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
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Table No.	Instructions
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here.

Introduction

Clause 5F requires disclosure of trade discounts which have been given effect to, in the audited financial statements but which are not permissible as part of deductions from the value of supply under the GST Laws.

Analysis

This data / information can generally be obtained from the credit side of the Profit and Loss account. It is also a business practice that trade discounts would be netted off against the turnover of outward supplies. In the case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

Non-allowance of the same has to be identified on the basis of the documents maintained by looking into the conditions of allowance as deduction against the supply made as per Section 15(3) of the CGST Act.

Since it may be difficult to verify all the cases of trade discounts by the Auditor to consider the eligibility for deduction, it may have to adopt some other audit techniques to ascertain the same. Also, it would be important to obtain the appropriate management representation letter from the entity.

➤ Validation

The concept of 'sale price' does not permit the inclusion of trade discount in the sale price. Wherever any credit notes are to be issued for discount or sales incentives by one dealer to another dealer after issuing the tax invoice, the selling dealer shall issue a credit note without disturbing the tax component on the price mentioned in the original tax invoice, so as to retain the quantum of input tax credit already claimed by the buying dealers as well as not to disturb the tax already paid by the selling dealer.

Trade discounts can be issued in various ways, such as special discounts, rebates, remissions, compensations, bonus, etc. Some of these are discussed below:

- (i) **Special discount or Rebate:** It can be issued by a supplier to a recipient for maintaining the business relationship or for any extraordinary purchase made by the dealers. This discount is contingent upon future purchase by the dealer. Such discount is not established in terms of an agreed upon agreement or before the time of such supply and not specifically linked to relevant invoices. So if the special discount is not established according to any agreement, there would be no deduction from the sale price as per the provisions.
- (ii) **Bonus discounts:** This discount is given only to those customers who purchase goods more than the stipulated numbers. However, this is not decided at the time of supply, but given subsequently, after discussions and negotiations. These are also considered as discount from the accounting perspective, whereas under the GST they would be allowed only if they have been pre-agreed before the supply. Because of this, there would be mis-match between the financials and the GST turnover.
- (iii) **Incentive/Commission:** It is a business practice that payments made to the distributors, dealers and other channel partners nomenclated as incentive or commission which is generally accounted for in the financials as discount. However, under the GST this will not be considered discount because it is given in the form of incentive without reducing the sale price.
- (iv) **Remission:** The reduction allowed from the sale price to the purchaser, to compensate him for the general fall in prices would not amount to a discount, because it happens subsequent to supply and would not have been a part of any agreement.
- (v) **Compensation:** The dealer would get compensation in the form of rate difference or trade discount in case of a significant correction of prices. For example, a dealer has to sell 500 tyres to the final customer at Rs. 900, against the original purchase price of Rs. 1000. The Rs. 100/- rate difference is to be compensated for the dealer by the manufacturer.

➤ **Revision Required**

In case it has been found that the taxable value of outward supplies has been disclosed in GSTR 1 and GSTR 3B has been derived by allowing the trade discounts which have not satisfied the aforesaid conditions under the GST, the same has to be determined and rectified in the subsequent GSTR 3B for the month of September 2018 and GSTR 1 (upto such extended period). The same cannot be rectified in GSTR 9C since it is a statement of reconciliation between the declaration of turnover made in the GST returns and financial statements.

In case, the input tax credit attributable to such discounts has not been reversed by the recipient resulting in the input tax credit being reflected in GSTR-2A of the supplier, then, the same has to be rectified in the subsequent GSTR 3B and GSTR 1 for the month of September 2018.

It has to be noted that the non-allowable discounts provided during the GST regime in relation to the supply made in the erstwhile law must not be disclosed here because the same has to be given effect in the erstwhile law.

➤ **Illustration**

Please specify whether the following trade discounts would form part of reporting under 'Trade discounts accounted for in the audited Annual Financial Statement but are not permissible under the GST':

- (a) Turnover discount of Rs.50, 000/- issued by way of Credit Notes issued by the supplier during August 2017 wherein the supplier has not reduced the tax rates.
- (b) Quantity discounts of Rs. 10000/- issued by way of Credit Notes without tax impact.

➤ **Notes to consider**

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- (a) The valuation of trade discounts for the purposes of disclosures under this head, has to be clearly documented.
- (b) The input tax credit reflected in GSTR-2A attributable to such trade discounts has to be maintained.
- (c) The trade discount has to be demarcated between the supplies made in the erstwhile law and the GST regime.
- (d) The customer agreements have to be scrutinised to determine the quantum of non-allowable discounts.

➤ **Additional notes to consider**

The taxable person has obtained confirmation from the customers that they have reversed ITC in relation to the credit note issued.

➤ **Conclusion**

Therefore, 5F of GSTR 9C contains the trade discounts which have not been allowed in relation to the supplies made during the period July 2017 to March 2018 and accounted in the financial statements. Reference may also be made to the discussion on '*financial credit note*'.

Sl. No. 5G: turnover from April 2017 to June 2017

5G	Turnover from April 2017 to June 2017	(-)	
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Table No.	Instructions
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.

Introduction

In terms of this Sl. No. the turnovers included in the audited financial statement for the period April 2017 to June 2017 shall be declared and deducted from the annual turnover to arrive at the turnover as per the GST Laws.

Analysis*Relevant Provisions*

- (i) Section 1(3) of the CGST/ SGST/ IGST Acts states that the provisions of the said Acts shall come into force on such date as the Central Government/ respective State Governments may by notification in the official gazette appoint.
- (ii) As per N.No.9/17 CT and 3/17 IT, both dt.29.8.17, the Central Government appointed 1.7.17 as the date on which provisions of Section 6 to Section 9 (*inter-alia containing provisions relating to taxable event and charging section*) and Section 31 to Section 41 (*inter-alia containing provision for audit S.35(5)*) shall come into force.
- (iii) Since the Acts came into force on 1.7.17, the *taxable event, subject to matter of tax, person liable to pay tax and rate at which the person is liable to pay tax*¹ became operative as on 1.7.17. Further, the charge under a fiscal statute shall operate only from the date the statute becomes operative.²
- (iv) As per Section 35(5), every Registered Person whose turnover in a *financial year* exceeds the *prescribed limit*, shall get his accounts audited by a Chartered Accountant/ Cost Accountant. Rule 80(3) of CGST Rules provides the prescription of aggregate turnover exceeding Rs. 2 crores. Financial year means the year commencing on the first day of April as per the General Clauses Act, 1897. This could raise a question as to whether turnover ought to be computed from 1.4.17 (the start of the financial year) or 1.7.17 (the date from which the GST came into effect).
- (v) This Sl. No. clarifies that turnover for the Financial Year 2017-18 should be computed

¹ The four essentials required for a fiscal statute to operate. Please see Govind Saran Ganga Saran v. Commissioner of Sales tax — (1985) Supl. SCC 205

² CCE V. Vazir Sultan Tobacco Co Ltd., 1996 (83) ELT 3 (SC)

from 1.7.17 to 31.3.18. Hence the turnover for the period commencing April 2017 to June 2017 is to be deducted from turnovers as per the books of account to arrive at the aggregate turnover as per the GST Act.

Source of Information

The returns filed under the Excise Laws, State Level VAT Laws, and the Finance Act, 1994 (service tax returns) examined with invoices, gate passes, lorry receipts and entries made in the books of accounts are the source documents for procuring this information.

Validation of Information

The turnovers declared in the said excise return, State Level VAT returns and Service Tax should match with the turnovers declared in the books of accounts for the period relating to April 2017 to June 2017, subject to the point of taxation differences that may arise in terms of the erstwhile laws and accounting standards relating to revenue recognition.

Methodology to extract turnover from April 2017 to June 2017:

There could be cases where the books of accounts are closed quarterly, or financial statements are drawn up quarterly. In such cases, the quarterly turnovers can be adopted, and adjustments can be made relating to the point of taxation under the excise law, State level vat law and service tax law to arrive at taxable values as per the erstwhile laws. The said value must be entered under this head.

Turnovers forming part of the tax periods 1.4.17 to 30.06.17, which were *liable* to tax under the erstwhile laws as per the provisions relating to the point of taxation rules should be deducted from the turnover.

It may be noted that tax is liable to be paid on removal in case of excise/ on sale under VAT law/ on provision of service or issue of invoice as the case may be under service tax law provisions and not on accrual basis or cash basis (which is the basis of accounting and hence basis of annual turnover as per financial statements). Thus, the criteria for reducing turnover for the period April 2017 to June 2017 is not when the revenue was recognised as per relevant accounting standards, but whether or not the said amounts were liable to tax under the erstwhile laws as per the point of taxation under the said laws.

Amounts forming part of turnover relating to works contracts, where consideration was received during the period April 2017 to June 2017, but supplies were effected or services were rendered after June 2017, needs to be deducted under this Sl. No. because the said consideration was liable to tax on receipt basis as per the service tax law and State level VAT laws. However, the self-same value needs to be added back in Sl. No. 5(O), since the aforesaid supplies would be liable to tax under the GST law also as per Section 142(11)(c). At this juncture, it is important to note that the relevant service tax and value added tax paid on such advances for which supplies are effected during the GST regime would be available as CGST / SGST credit as per section 142(11)(c) of the CGST Act.

It is opportune to mention at this stage that there is a saving clause in section 142(11)(a) and (b) of CGST/ SGST Act, which states that transactions liable to VAT/ service tax would not be exigible to GST in case the provision of time of supply under the GST also stands attracted to the very same transaction. There is no such saving clause mentioned for excise duty (i.e. for goods manufactured and *cleared* from April 2017 to June 2017) but sold after June 2017 (e.g.: clearances made on sale or approval basis prior to July 2017, sold after July 2017). However, N.No.12/17 CE dt.30.6.17 grants exemption in the case of goods manufactured prior to 30.6.2017 but cleared/ supplied after 1.7.2017, provided GST is leviable on such goods.

Notes to consider

➤ **Checks and Balances to validate correctness and completeness:**

Following tests, though not infallible, could be used as checks and balances to verify and validate the correctness and completeness of data entered under this head:

1. For matching returns with the turnover.
 - (i) Amounts declared in Excise Returns/ State Level VAT returns need to be reconciled with turnovers declared for the period April 2017 to June 2017. Clearances to job workers, stock transfers and supplies to agents would have to be reconciled amongst others, to validate the correctness of turnovers.
 - (ii) In case of services, the relevant ST3 return for the period April 2017 to June 2017 has to be reconciled, taking into account cases relating to advances for services provided after July 2017 and services accounted in the books after July 2017 (and hence liable to service tax and not GST as per S.142(11)(b)).
2. For Goods:

Cut off procedures in the form of physical verification of Goods in Stock on 30.6.2017 with corresponding invoices / delivery challans / e-way bills (under the erstwhile laws) may be checked to validate the correctness of data for goods.
3. For Services:
 - (a) Consideration received as advances in April 2017 to June 2017 for which services are provided on or after July 2017 needs to be included in the turnover for April 2017 to June 2017 since the said consideration is liable to service tax as advances on receipt basis and not liable to the GST as per S.142(11)(b) though services are provided on or after July 2017.
 - (b) Services completed in April 2017 to June 2017, for which invoices have been issued after 30.7.2017, are to be included in turnover for the period April 2017 to June 2017 as per Rule 3 of the Clause of taxation Rules, 2011 of the Service tax Regulations. The aforesaid services would be liable to service tax and not GST as per Section 142(11)(b) of the CGST/ SGST Act.

- (c) In terms of the Service tax Regulations, evidence for completion of services in the form of sign offs have to be compared with the corresponding invoice dates, in exceptional cases, where there is an undue delay in issuing invoices beyond the stipulated period of 30 days. In such cases, the taxable value relating to such invoices needs to be reflected in this Sl.No. for the period April 2017 to June 2017 although the invoice is issued after July 2017. This is because the said services would be liable to service tax and not GST.
 - (d) In terms of the Service tax Regulations, in case of continuous supply of services, the Auditor would have to verify (by way of sign offs/ chartered engineer certificate etc) the occurrence of the relevant / threshold taxable event under those Laws. It must also be verified as to whether in such cases, the recipient is required to effect payments. If such an event has occurred, then notwithstanding the fact that consideration is received on or after 1.7.2017, such turnovers must be reflected in this Sl.No. as turnover from April 2017 to July 2017.
 - (e) An individual or a proprietary firm or a partnership firm or a Hindu Undivided Family are liable to pay service tax on receipt basis as per the proviso to Rule 6(1) of the Service tax Rules, 1994, where the aggregate value of taxable services is fifty lakh rupees or less in the previous financial year. In such cases, the consideration may be accounted on receipt basis after July 2017. Even in these cases, the said turnovers must be reflected under this Sl. No. for April 2017 to June 2017, since the said consideration is liable to service tax, though received after July 2017.
4. The effect of transition provisions must be checked and given their due play:
- (i) Goods manufactured and removed (for approval) prior to 1.7.2017 under the erstwhile Excise Laws would be subject to the payment of Excise duty under those Laws. If such goods are sold after July 2017 then GST would stand attracted based on the date of raising of the relevant tax invoice. This is because, the machinery provision relating to central excise duty occurred prior to 1.7.2017 but supply of the said goods (sale in the present case) occurred post 1.7.2017. It must be noted that the recipient of goods in this case would have availed the relevant excise duty credits. Lastly, such turnovers need not be reflected under this Sl. No.
 - (ii) As per Section 142(11)(a) and (b) of the CGST Act, if VAT/ service tax is leviable, then GST would not be payable, notwithstanding the fact that supply is made after 1.7.2017 and the time of supply provisions under the GST apply thereto. Thus, services provided after 1.7.2017 for which consideration is received prior to 1.7.17 should be deducted under this Sl. No. as turnover from April 2017 to June 2017.
5. The aforesaid reconciliations ought to tally with declarations made u/s 142(11) in Form GST TRAN I.

Illustration:

Please specify which of the following supplies would form part of reporting under turnover for the period April 2017 to June 2017

- (a) Goods were manufactured and cleared from a factory on 1.6.2017 on sale or approval basis. The goods were not approved by the recipient and returned back on 25.12.2017.

Reply: Since the goods were not approved and returned after the stipulated period of 6 months, the value of the said supplies would not be included in turnover in the audited financial statements. However, as per the 2nd proviso to Section 142(12) of the CGST Act since the goods were returned after 6 months from appointed date (i.e. 1.6.2017), GST would be payable for the tax period December 2017. Though the transaction originated in the period April 2017 to June 2017, the turnover will not be reflected under this Sl.No. However, one may reflect such adjustment under Part II, sl. No. 5 Clause O – ‘Adjustments in turnover due to reasons not listed above’ as addition.

- (b) Goods were manufactured and cleared from a factory located in Bangalore on 30.4.2017. The goods were cleared to its showroom located in Hyderabad and eventually been sold from there on 30.8.2017. The audit under the GST Law will be conducted for Bangalore GSTIN.

Reply: The said goods are liable to excise duty since the goods have been cleared on 30.4.2017. The goods would not form part of turnover as per the financial statements since it is a branch transfer. It would stand reflected as branch transfers under the State Level VAT laws. Since audit is being conducted for Bangalore GSTIN and since supply has occurred from Hyderabad GSTIN, it would not be necessary to make adjustments for the period April 2017 to June 2017.

- (c) Services were provided during the period June 2017. The service was completed on 20.6.2017, but invoice for the service was raised only on 1.8.2017.

Reply: Since the invoice was raised after a period of thirty days, service tax is liable to be paid for the period ending June 2017 as per the proviso to Rule 3(a) of the Clause of Taxation Rules. Since the said transaction is liable to service tax, it is not liable to GST as per Section 142(11)(b) of the CGST Act, though the invoice is raised during the GST regime. Therefore, the said value of invoice must be deducted for the period April 17 to June 2017.

- (d) Continuous supply of service in the nature of construction service is being provided. The construction started on 1.5.2017 and is yet to be completed as on 31.3.2018. The ‘first floor slab’ of construction work was completed on 30.06.2017, at which point every customer was required to pay Rs.2,00,000/-. Only 50 out of 200 customers paid. So Revenue has been recognised only for 50 customers as on 30.6.2017. 110 customers

paid during the period 1.7.2017 to 31.3.2018, which has been recognised as revenue for the period ended March 2018. Please also state the what to do about 40 customers who did not pay any consideration.

Reply: As per proviso to Rule 3(b) of Clause of Taxation Rules, 2011, in the case of continuous supply of service, the point of taxation shall be the point in time which requires the service recipient to make payment to the service provider. In the impugned case, the service recipient is liable to pay to the service provider as per the agreement on completion of construction related to 'first floor slab' completed on 30.6.2017. If invoices are raised on or before 30.7.2017, the date of raising the invoice shall be the point of taxation. If invoices are not raised before 30.7.2017, the date of completion of service i.e. 30.6.2017 shall be the point of taxation. Thus, service tax is liable to be paid on consideration of Rs.2,00,000/- relating to each of the 200 customers, irrespective of whether consideration is received or not from the 200 customers by the builder. Since consideration received from 160 customers has been received (50 + 110), the relevant turnovers (160 customers multiplied by Rs.2,00,000/-) has to be reduced from the turnover under this Sl. No., though service tax would be payable on the product of 200 customers into Rs.2,00,000/-.

- (e) Continuous supply of service in the nature of telecommunication service has been provided for the period 1.6.2017 to 30.6.2017. The bill is raised on 3.7.2017. The bill is payable by the customer only on 21.7.2017. Should the revenue be recognised in the month of June 2017 and reduced from total turnover or should it form part of turnover for the period July 17 to March 18 since the due date for payment of consideration is 21.7.2017. The entity recognised the revenue in the month of June 17.

Reply: As per proviso to Rule 3(b) of the Clause of Taxation Rules, 2011, the point of taxation in the impugned case would be the date on which bill has been raised i.e. 3.7.2017. Though invoice has been raised in the GST regime, service tax is payable since service has been provided during the currency of the Finance Act, 1994. The date for payment of service tax as per the machinery provision i.e. POTR, 2011 may be 3.7.2017 but the said service would be liable to service tax because the charge u/s 66B gets attracted for the period June 2017. Further as per S.142(11)(b) since the if a transaction is *liable* for service tax, then tax would not be payable under the GST Laws. Hence the said amount should be deducted as turnover under this Sl. No. for the period April 17 to June 17.

- (f) Service has been provided in the month of May 17 amounting to Rs.1,00,000/-. Invoice has been raised within 30 days. There was a deficiency in the provision of service. The customer has paid only Rs. 20,000/-. The company has issued credit note amounting to Rs. 80,000/- on 31.3.2018 and closed the customer's account. Should any amount be reduced for the period April 2017 to June 2017. Are any adjustments required to be made for the period July 2017 to March 2018?

Reply: As per S.142(2)(b) of the GST Act, where in pursuance of contract entered into prior to the appointed date, where the price of service is revised downwards after 1.7.2017 and the provider issues a credit note within 30 days of such price revision, such credit note shall be deemed to have been issued in respect of outward supply, provided the recipient has reduced his input tax credit. Assuming the input tax credit is reduced by the recipient, the credit note shall be reduced from outward supply for the tax period March 2018. Thus Rs.80,000/- would be reduced from the GST turnover for the period of March 2018. The said amount of Rs.80,000/- would be reduced from the turnover in the month of March 2018 because credit note is issued in the month of March 2018. Thus, only Rs.20,000/- is required to be reduced for the period April 2017 to June 2017, though invoice for Rs.1,00,000/- is issued in the month of May 2017 and service tax is paid on Rs.1,00,000/- in the month of May 2017.

Conclusion

The taxability of transactions has to be taken into consideration. The applicability of charge and corresponding machinery provisions under the erstwhile laws must be tested / examined. As a general rule, if the charge attracts or the machinery provisions under the erstwhile laws require payment of tax, then such transactions should be considered for the period April 2017 to June 2017. The point of taxation under the erstwhile laws may not necessarily flow in accordance with the revenue recognition made for the period April 17 to June 17. Provisions relating to the erstwhile laws and transition provisions under the GST law must be read together while computing data under this entry.

Sl. No. 5H. Unbilled revenue at the end of Financial Year

5H	Unbilled revenue at the end of Financial Year	(-)	
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Table No.	Instructions
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year, but GST was not payable on such revenue in the same financial year shall be declared here.

The reader may refer to the discussion in Sl. No. 5B of Part II for more details on this.

Sl. No. 5I Less: Unadjusted Advances at the beginning of the Financial Year

5I	Unadjusted Advances at the beginning of the Financial Year	(-)	
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Table No.	Instructions
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.

The reader may refer to the discussion in Sl. No. 5C of Part II for more details on this.

Sl. No. - 5J. Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST

5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(-)	
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Table No.	Instructions
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.

1. Introduction

This Sl. No. has to be filled up with the information available in the audited Financial Statements whereas such amounts have not been adjusted against the supplies in the GST returns. All the adjustments made to the turnover where there is an effect of reduction due to a Credit Note issued have to be quantified for the purpose of reconciliation between the books of accounts and the GST returns to be filed. There could be an adjustment made to the receivable and payable in the books of accounts. Care should be exercised to extract the information of credit note that only calls for reduction of the turnover. Also, a reference to the Accounting Standards issued by ICAI for Revenue recognition may be referred to for knowing the information to be filled up in this area.

2. Analysis

All the adjustments made in the Books of Accounts by way of adjustment [reduction] in the turnovers by issuing a Credit Note shall be reckoned for this purpose. All the information in the Credit Note register without having a GST effect should be collated and provided.

3. Illustration

- (i) M/s ABC and Co. supplies goods on credit to the customer Mr. A for Rs.100,000 [applicable GST 18%]. Mr. A pays the supply value much before the credit period and in turn requests the supplier to extend a cash discount of 2%. Cash discount extended at 2% shall be a Non-GST Credit note which should be considered for disclosure in Part II at Table 5J.

- (ii) Mr. A has supplied goods for Rs.20,000/- [applicable GST 12%] along with transport charges for Rs.2,000/- to M/s ABC and Co., On receipt of the goods, the customer complains that the goods are damaged. Mr. A extends a discount of Rs.2,500/- to the customer and issues a Credit Note without giving effect to the GST for the damage. This adjustment to the amount receivable from the customer shall be accommodated by way of a Credit Note and the same shall call for adjustment to the turnovers.

4. Notes to consider

- Segregation of adjustments to turnover on account of Credit Note with GST and without GST has to be done carefully and dealt with appropriately as discussed in the above illustrations.
- Credit Note issued and subsequently cancelled should be considered while considering the summary of adjustments.
- Any adjustment on account of reduction in receivable not being adjusted to the turnover should not be considered for reconciliation.
- Accounting / Financial Credit Note issued if any in relation to reduction in the inward supply price consideration should not be considered for filling up the information in the above Table.

5. Auditors Disclosure

Auditor has to disclose the practice adopted for collating relevant information from the books of accounts and the basis for determining the adjustments eligible for reconciliation purposes. Reference to the Accounting Standard issued by the ICAI has to be made and indicated whether the Registered person has adopted or not.

Sl. No. 5K. Adjustments on account of supply of goods by SEZ units to DTA Units

5K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
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Table No.	Instructions
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.

Introduction

Aggregate value of all the goods supplied by SEZs to DTA units for which the DTA units have filed the bill of entry shall be declared here.

Analysis

Such outward supplies are not required to be reported by SEZ units in their GST Returns and hence the data cannot be retrieved from the returns filed by such SEZ units.

SEZ units are required to maintain records of the assets / goods admitted into the SEZ unit and also the details of disposal of such goods. Such records can assist an Auditor in identifying the outward supply made by the SEZ unit. Additionally, disposal of capital goods would be disclosed as deletion in the Fixed Asset Registers.

Illustration

1. XYZ Limited, SEZ unit supplied goods to a DTA unit and the relevant bill of entry is filed by the DTA unit

This transaction would be a 'sale' for the purpose of financial statements of the SEZ unit but would not be considered as supply for GST purposes and hence needs to be deducted from the turnovers of financial statements for the purpose of arriving at the turnover as per GSTR 9. In respect of the inward supply in the hands of the DTA, this transaction would be treated as import of goods.

2. XYZ Limited, a SEZ unit, supplied goods to a DTA unit and the bill of entry was filed by the SEZ unit based on authorization by the DTA unit

This transaction would be outward supply or 'sale' for the purpose of financial statements of the SEZ unit and inward supply for GST purposes. Accordingly, it would not require any disclosure in the aforementioned table.

Notes to consider

The following are the control checks that an Auditor may undertake to check the validation of the turnovers reported under this head:

- Whether the SEZ unit also has units outside the SEZ Area, and whether the entity was required to obtain two registrations – one for SEZ and other for non SEZ;
- Check the treatment of transactions which involve transfer of goods from SEZ to non SEZ. It has to be treated as transaction with the third party

Sl. No. 5L. Turnover for the period under composition scheme

5L	Turnover for the period under composition scheme	(-)	
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Table No.	Instructions
5L	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per

	the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.
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Introduction

There may be cases where Registered Persons might have opted out of the composition scheme during the year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared under this Sl. No. 5L.

A person registered under the composition scheme who has opted out of the scheme should file both GSTR 9 and GSTR 9A. An Auditor may note that even a person violating the conditions stipulated in Section 10 of the CGST Act or Rule 5 of the CGST Rules or Notification CT 8/2017 dated 27/06/2017 would stand to exit the scheme. In such cases, the composition person should file Form COMP-4 and opt out of the scheme.

Analysis

Information reported here must flow from GSTR-4. As such, the working notes for the preparation of GSTR 9C would involve summation of data from GSTR-4 filed for Jul 2017 till the date of opting out of the Composition scheme reported during 2017-18. Information for Sl. No. 5L of GSTR 9C would include modifications and corrections made during the year 2017-18 till the date the person opts out of the composition scheme.

Further, credit notes and debit notes relating to 2016-17 and up to Jun 30, 2017 that are issued after July 1, 2017 are required to be considered in 2017-18 itself, as provided in Section 142(2)(a) and (b) of the CGST Act in respect of such overlapping transactions.

It is suggested that the following reconciliations be carried out for reporting correct values:

- (a) values as declared in the bill of supply and those declared in the books of accounts;
- (b) values declared in the books of accounts and in GSTR-4;
- (c) values of advances declared in the books of accounts and values as advances declared in GSTR-4;

The turnovers that are to be reported can be directly derived from the tables of GSTR-4. The various components of this Sl. No. 5L would be as follows:

Category of supply	Relevant table of GSTR-4
taxable outward	Table 6
Advances received	Table 6
Returns	Table 6

Exempted supplies of manufacturers and service providers (referred in par 6(b) of schedule II)	Table 6
Amendments to turnover reported in subsequent form GSTR-4	Table 7
Exempted supplies of traders	To be extracted from the books of accounts

Revision required, if any

During the course of preparation of Form GSTR 9C, if any outward supply is omitted in any GSTR-4 pertaining to the financial year 2017-18, as aforesaid, a revision is warranted. Revision in the information cannot be passed through GSTR-4 as the taxable person has opted out of the composition scheme. So revision cannot be passed through GSTR 1 and GSTR 3B because those revisions are related to the composition turnover.

Illustration

Advance received during the composition scheme, but supplies effected after opting out.

Time of supply for the composition scheme includes advance received on supply of goods but under the regular scheme advance received is excluded from time of supply. e.g. Advance received Rs. 50,000/- under the composition scheme and tax paid on advance @ 1% i.e., Rs. 500/- whereas the supply value after he exits the composition scheme aggregates Rs. 1,00,000/-

In terms of Section 12 of the CGST Act to the extent of advance of Rs.50,000/- supply is deemed to have been already effected. Hence, tax under the composition scheme is required to be paid only on Rs. 50,000/- and the balance of Rs.50,000/- would be subject to tax at the applicable rates of a normal supply.

Notes to consider

A few control checks that an Auditor should perform for validation:

- For a clear demarcation, ensure such turnovers do not relate to the earlier tax regime (Before 1st July 2017);
- The outward supplies register should be used as the basis for validating the turnovers disclosed in the GST returns;
- In case of any valuation differences between the books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented;
- Turnovers covered under the composition scheme alone should be reported under this Sl. No., including advance, exempt supplies, and all such amounts should be net of returns and refunds.

- Transactions relating to outward supply of assets should be carefully verified from the perspective of reporting, as it is a Balance Sheet item and valuation exercise needs to be carried out separately as per Section 18(6) of the CGST Act.
- Check all advances received during the migration period and effect given.
- Cut-off date and transaction taken place during cut-off date should be verified.

Conclusion

Therefore, Sl. No. 5L of GSTR 9C should match with the turnover declared in Sl. No. 6C of GSTR 9A, which is the sum of Table 6 and 7 of GSTR-4 of the relevant period.

Sl. No. 5M. Adjustments in turnover under section 15 and rules thereunder

5M	Adjustments in turnover under section 15 and rules thereunder	(+/-)	
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Table No.	Instructions
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.

Introduction

In terms of Section 9 of the CGST Act, GST is applicable on supplies of goods or services on the value of supply as determined under Section 15. Section 15 of the CGST, 2017 provides that the transaction value (value at which the supply has been transacted) would be the basis for the computation of tax when two conditions are satisfied

1. The price actually paid or payable should be the sole consideration for the supply; and
2. The supplier and the recipient are not related.

Even if the price for a supply is agreed to be the transaction value, few adjustments (provided for under Section 15 itself) are required to be carried out to such price for the purpose of the computation of value on which GST is required to be paid.

Analysis

To fulfil the requirements for this Sl. No. the Auditor may obtain, among others, the following documents:

1. Vendor Contracts to understand the expectations from the supplier. Any free supplies

by a recipient which was the responsibility of supplier would be required to be added to the turnover of supplier;

2. Identify reasons for the issuance of credit notes and check for corroborative evidence in case the values are high;
3. Outward supply invoices issued to customers;
4. Customer Ledger Statement to identify various debits and credits and reasons for the same;
5. Contracts for Pure Agency;
6. List of Related Parties and details of transactions with them.

Illustration

Various adjustments that need to be carried out and their implications for the required reconciliation have been tabulated below

Adjustment	Explanation	Illustration
Add: Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services tax Act, the Union Territory Goods and Services tax Act and the Goods and Services tax (Compensation to States) Act, if charged separately by the supplier	This Sl. No. provides for the exclusion of GST from the value and therefore all other taxes charged must be included in the value before quantifying GST. Taxes other than the GST would cause cascading and this is deliberate.	In an industrial park, the maintenance company is required to provide power back up by generating power using DG Sets. On captive generation of power, CEIG tax is required to be paid to the local Electricity Board in certain States. Treatment in Books CEIG tax is debited to the expense account and recoveries are credited to the same account Treatment under GST CEIG tax is required to be added to the maintenance income for computation of the GST
Add: Any amount that the supplier is liable to pay in	This provision requires computation of values	In the case of construction contracts the contractor was

relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both	that are directly paid by the recipient although the supplier is required to incur such costs Typically, cases – Free of Cost Supplies	given a contract for construction of a building and was responsible for the procurement of all the materials required for such construction. However, the developer issues cement free of cost to this contractor Treatment in Books Contractor – No Entry Developer - Procurement of Cement would be treated as inward supply of cement and Cement to the Contractor would form a part of the cost of goods supplied Treatment for GST Contractor – Add the value of cement so received for the computation of GST Developer – Consider the supply of cement as outward supply. The contractor's invoice (including cement) is expense for construction
Add: Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services	Costs that the supplier incurs 'at' the time of or 'before' supply is liable to be included in the value of supply	Supply of water by maintenance company to industrial parks Treatment in Books Charges paid to the vendor who gets the water in tanker is debited to expense account and the amount recovered from the Industrial Park / individual companies is credited to such expense account Treatment for GST Such recovery is required to

		be included in the value of supply and tax computed on the same
Add: interest or late fee or penalty for delayed payment of any consideration for any supply	Amounts charged for delay in the remittance of consideration would be considered as value of supply and tax payable on the same though it could be argued that these are not supplies but financial transactions	These charges are generally recorded as other incomes and may not require any reconciliation
Add: Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments	This Sl.No. expressly provides for the limited exclusion of subsidy from the value of supply, that is, subsidy given by the Government alone is excluded from the value of supply. This Sl. No. makes an interesting requirement that any transaction where there is any form of price-intervention that behaves like a 'subsidy' is liable to be included in the value of supply	E Commerce operator compensating vendors who participate in their shopping festival sales by offering additional discounts. This could be in the form of reduction in the regular sales the ecommerce operator or by the issuance of a financial credit note.
Less: before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply	'In-bill' discounts – are those that are allowed exactly at the point of supply so as to reduce the published product price as a result of negotiations. 'In-bill' discounts are admissible as the reduction in arriving at the transaction value	This would not lead to any reconciliation if the "in-bill" discounts are reduced from the value of sales accounted at the time of recording the transaction in the books of accounts else the value of discount offered would have to be reduced from the turnover as per books to arrive at the turnover for the purposes of GST

Less: after the supply has been effected, if— (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.	'Off-bill' discounts – are those that are allowed after supply through a credit note. For such 'off-bill' discounts to qualify as the reduction from the transaction value adherence to the conditions specified in section 15(3) are sufficient	Off Bill Discounts are generally not reduced from sales in the Financial Records and hence would not have any impact on the reconciliation of turnovers
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In addition to the above, Valuation Rules also provide instances where the value of a transaction as per the financial records can be significantly different from the value to be considered for discharge of taxes under the GST. A detailed reading of the background material issued by the ICAI would help the reader identify cases where such valuation rules would come into play and any difference between the valuation as per financial records and GST records would have to be reported.

Typically, reasons for difference would be the alternate value considered for a transaction for the discharge of GST

1. Open Market value
2. value of Supply of goods / services of like kind and quality
3. Cost + 10%
4. In case of sale to a related party which further sells the same product at 90% of the resale price
5. Any price, so long as the related party / distinct person can avail credit of the same

In this context, it would also be relevant to note that Rule 31, Rule 32 and Rule 35 provide for a special mechanism for payment of taxes in certain cases. E.g. An Air Travel Agent is required to discharge GST on 5% of the basic fare at the rate of 18% in case of domestic bookings instead of the commission actually earned by him. The commission earned by him can be more / less than the deemed value assigned to the transaction thereby requiring reconciliation of sales values.

Further, Rule 33 allows for non-inclusion of cost / expenses incurred by the supplier on behalf of the recipient for the purpose of arriving at the transaction value. These transactions are

considered as incurred as a “pure agent”. It should be ensured that all the conditions of pure agency are satisfied by the supplier who claims benefit for non-charging of GST on such charges.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Bad Debts are not treated as discounts for the purpose of obtaining tax benefits;
- Review of E Way Bills - Free supplies can be tracked by verifying the purpose of movement of goods at the time of generation of e-way bills;
- Recoveries are generally netted off and do not appear in the financial records since the closing balance is zero;
- Distinguishing between Recovery of Expenses and Reimbursement of Expenses which can be treated as incurred as pure agent
- Detailed review of transactions pertaining to related parties;
- Reverse charge implications on the recovery of expenses.
- Further, GSTR 9 cannot be prepared based on sample verification. No such exclusion is permissible here. Completeness must be ensured for compiling of information as preparation of GSTR 9 is the duty of the Registered Person.
- Information reported in GSTR 1 does not need to be re-examined while preparing GSTR 9. Exercise involved is to compile the information to identify completeness of the information extracted from GSTR 1 as declared in 2017-18 and 2018-19 (up to dates permitted and as stated above).
- Revision in the information from B2C to B2B and vice versa must also be revised in GSTR 1 and then compiled in 4A of GSTR 9.

Conclusion

There may be cases where the taxable value and the invoice value differ due to valuation principles under Section 15 of the CGST Act and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to differences in the valuation of supplies shall be declared here.

Sl. No. 5N. Adjustments in turnover due to foreign exchange fluctuations (+/-)

5N	Adjustments in turnover due to foreign exchange Fluctuations	(+/-)	
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Table No.	Instructions
5N	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.

Introduction

Forex Transactions are accounted in the books of accounts based on Accounting Standard 11 whereas Rule 34 of the CGST Rules require

1. The value of taxable goods to be determined on the basis of the exchange rate notified under Section 14 of the Customs Act;
2. The value of taxable services is to be determined on the basis of the applicable rate of exchange determined as per generally accepted accounting principles for the date of time of supply of such services in terms of Section 13 of the CGST Act

Since the exchange rates applied to forex amounts for accounting purposes are different from the exchange rates applied for determining the value of taxable goods and services, there could be a difference between the turnover recorded in the books when compared with the turnover declared for the purpose of GST returns.

Analysis

➤ Source of information

Export of goods is stated in Table 6 of the GSTR 1 and its amendment is given effect in Table 9 of the GSTR 1 and at Table 3.1(b) in GSTR 3B. The forex gain / loss arising due to the difference in the amount booked in accounts and actual amount received forms part of the Profit and Loss Account.

➤ Validation of information

The "Activities in Foreign Currency" are reported as part of the Notes of Accounts to the Financial Statements of Companies.

➤ Revision required

Foreign Exchange fluctuation is purely an accounting concept and does not form part of the GST Returns and hence revision of returns is not required.

Illustration

3. PQR Limited has exported goods to a Company located in USA. The value of goods is \$100,000. The exchange rate (Rs/\$) on the date of filing Shipping Bill is

CBEC Notified rate	RBI Reference rate
Rs 65	Rs 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 70.

Solution: For the purpose of GST Returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST Returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Additionally, difference in the amount booked in the accounts and actual amount received being Rs. 70 – Rs. 68 = Rs. 2 x \$100,000 = Rs. 200,000 would be credited to the Profit and Loss Account as Forex Gain which again needs to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

4. PQR Limited has exported goods to a Company located in USA. The value of goods is \$100,000. The exchange rate (Rs/\$) on the date of filing Shipping Bill is

CBEC Notified rate	RBI Reference rate
Rs 65	Rs 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 66.

Solution: For the purpose of GST Returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST Returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Additionally, the difference in the amount booked in the accounts and actual amount received being Rs. 66 – Rs. 68 = (-) Rs. 2 x \$100,000 = (-) Rs. 200,000 would be debited to the Profit and Loss Account as Forex Loss which again needs to be **added** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Notes to Consider

GSTR 9C should contain notes disclosing the limitations inherent in this exercise:

Conclusion:

This Sl. No. would enable the reconciliation relating to foreign exchange differences between the value adopted for accounting in the financials vis-à-vis the value adopted for the payment of GST.

Sl. No. 50. Adjustments in turnover due to reasons not listed above (+/-)

50	Adjustments in turnover due to reasons not listed above	(+/-)	
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Table No.	Instructions
50	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.

Introduction

Clause 50 is a residuary Sl.No. which requires disclosure of reconciliation details relating to adjustments for which specific column is not provided under any other Sl.No.s under Item No. 5. This Sl.No. may contain an option to insert multiple line items to add / reduce the amount from the gross turnover declared in the audited Annual Financial Statements so as to reconcile the same with the turnover declared in Form GSTR 9.

Analysis

The following broad head of adjustments can be reported under this Sl.No.: -

- (a) turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements;
- (b) turnover discovered as 'supply' during the course of audit, but not considered in the books of account and Form GSTR 9

Turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements;

There could be instances where the transaction undertaken by the taxable person satisfies the definition of 'supply' but is not recognized as income in the books of accounts. Further, in certain cases, the transaction though considered 'supply' under the GST, may not be disclosed as turnover in the books of accounts as it would lead to the inflation of turnover, leading to incorrect figures. The following illustrations would help in understanding the adjustments which can be done under this Sl. No.: -

1. Physician sample distributed by a pharmaceutical company to a physician for free - Normally the samples are distributed free of cost to physicians and the cost of such samples is charged as expense to the Profit and Loss account. However, if it can be established that there is a non-monetary consideration flowing to the pharmaceutical company, then the samples distributed would be liable to GST. Since the transaction would not be reported as turnover / income in the audited Annual Financial Statements and disclosed as taxable supply in GSTR 9, such turnover has to be added to the Gross turnover as declared in the audited Annual Financial Statement so as to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from inventory records as well as expenses in the Marketing/Sales promotion ledgers.

2. Notice pay recovered from employees – If the taxable person has considered the notice pay recovered from employees as a taxable supply but has not disclosed the amount as income in the Profit and Loss account, it would be reported under this Sl.No. and added to the gross turnover as per the audited Annual Financial Statement.

Data for such recoveries can be ascertained from credits in the Salary / Wages ledger maintained in the books of accounts.

3. Gifts given to customers/vendors/distributors – If it is established that there is a non-monetary consideration flowing to the taxable person distributing the gifts, such transactions would be liable to GST. The gifts purchased and distributed by the taxable person are normally charged as expense in the Profit and Loss account. However, if the taxable person has disclosed the same in GSTR 9, then adjustment has to be made in this Sl. No. to add it to the Gross turnover declared under the audited Annual Financial Statement.

Data for such transactions can be ascertained from inventory records as well as expenses in the Marketing/Sales promotion ledgers.

4. Stocks issued to discharge CSR obligations – Where the taxable person has considered stocks issued for discharge of CSR obligation as taxable supply, then the amount of such taxable value has to be added under this Sl. No. to reconcile with the turnover declared in GSTR 9.

Data for such transactions can be ascertained from inventory records as well as expenses in the CSR expenditure ledger.

5. Incentives / Rebate received from supplier and considered as supply under GST – Incentives / rebate received from the supplier could amount to taxable supply under the GST. Where the taxable person has reduced the incentive / rebate received from the cost of purchase in the books of accounts, the said amount would be added under this Sl. No. so as to reconcile with value declared in Form GSTR 9.

Data for such transactions can be ascertained from credit entries in the Purchase ledgers.

6. Sales promotion / advertisement reimbursement received and considered as supply – taxable persons may receive a portion of the advertisement cost / sales promotion expense as reimbursement from the supplier. Such reimbursements received could be considered a taxable supply from the taxable person to the supplier and accordingly could be liable to GST. Such reimbursements received are normally deducted from the advertisement / sales promotion expenses in the Profit and Loss account. In such a situation, the amount of reimbursement received is to be added to the gross turnover declared in the audited Annual Financial Statement.

Data for such transactions can be ascertained from credit entries in the Sales promotion / Marketing expense ledgers.

7. Out of pocket expenses considered in the value of supply – Where the taxable person has received some out of pocket expenses and has considered the same as the value of supply of goods/services, such amount should be added under this Sl. No. to reconcile with the amount disclosed in Form GSTR 9. This is on the presumption that the out of pocket expenses received have not been considered income in the Profit and Loss account.

Data for such transactions can be ascertained from credit entries in the expense ledgers.

8. Sale of capital goods – In respect of sale of capital goods, only the profit / loss arising on the sale of such capital goods is disclosed in the Profit and Loss account. However, the GST on the supply of capital goods is leviable on the transaction value or input tax credit is reversed as per the formula prescribed in Section 18(6) of the CGST Act. In order to reconcile the difference, the profit / loss arising from the sale of such capital goods has to be deducted from the Gross turnover of the audited Annual Financial Statement and the value on which GST has been paid has to be added under this Sl. No. to reconcile with the amount disclosed in Form GSTR 9.

Data for such transactions can be ascertained from deletions disclosed in the Fixed Asset schedule.

9. Inward supply returns considered as Outward supply – taxable persons may have adopted the practice of raising a tax invoice for the purpose of inward supply returns. However, for the purpose of accounts, the same would be considered inward supply return and reduced from the total purchase value instead of disclosing as revenue in books of accounts. In such a situation, the aggregate value of inward supply returns which have been considered outward supply under the GST have to be added to the Gross turnover as per the audited Annual Financial Statement to reconcile with the amount disclosed in Form GSTR 9

Data for such transactions can be ascertained from credit entries in the Purchase ledgers.

10. Outward supply returns considered as Inward supply – Where taxable persons have adopted the practice of treating outward supply returns as inward supply but have reduced such outward supply return from the revenue, then the aggregate value of such turnover has to be reduced from the gross turnover declared in the audited Annual Financial Statements to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from credit entries in the Sales ledgers.

11. Sales return relating to sales made for the period prior to July 2017 – As per Section

142(1) of the CGST Act, in respect of goods on which duty/tax had been paid under the existing law, but were returned on or after 01.07.2017, the taxable person was entitled to claim refund of the tax paid under the existing law, but the person to whom the goods were supplied was not registered. In such a situation the sales return would not have been disclosed in the GST returns. However, the sales return would have been deducted from the revenue in the books of accounts. Therefore, the value of such sales return should be added to the gross turnover declared in the audited Annual Financial Statements. In respect of goods returned by a customer who was registered, as per Section 142(1), the customer should raise tax invoice and return the goods. In such a situation, the discussion in point no. 10 would be applicable.

Data for such transactions can be ascertained from credit entries in the Sales ledgers.

12. Income in Profit and Loss account recognized based on special circumstances – In respect of taxable persons engaged in construction services, the revenue in Profit and Loss account is recognized based on Percentage of Completion method, and the turnover under the GST would be based on the advances received towards such construction services. In such a situation, the turnover recognized in the Profit and Loss account should be reduced and the value of advances on which GST is liable to be paid has to be added to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from the amount disclosed in the Profit and Loss Account and the Notes to Accounts forming part of the audited Annual Financial Statements.

13. Inputs and Capital Goods sent to job worker but not returned within the prescribed period of one year or three years, respectively – As per Section 143(3) and 143(4) of the CGST Act, where goods and inputs are sent to a job worker and are not received back within the prescribed period of one year or three years respectively, it would be deemed to be a supply as on the date on which such goods were sent to the job worker. However, such supply may not be treated as income in the audited Annual Financial Statements. In such a situation, the value on which GST is liable to be paid on the goods sent to the job worker is liable to be added under this point.

Data for such transactions can be ascertained from the inventory records and Form ITC-04.

14. Goods sent on approval basis but not approved and received back within the prescribed period – Goods supplied on approval basis, but not approved within a period of six months from the date of goods sent, is deemed to be supply under the GST. Where the taxable person has disclosed such supply in GSTR 9, but not considered as income in audited Annual Financial Statements, adjustment should be made under this Sl. No.

Data for such transaction can be ascertained from the inventory records, delivery challans and e-way bills raised.

15. Invoice for taxable turnover of Rs. 50,000/- has not been considered in GSTR 3B, GSTR 1 and GSTR 9. However, such invoice has been considered in the audited Annual Financial Statements. In such a situation, the invoice of Rs. 50,000/- should not be reduced as an adjustment under this Sl. No. This un-reconciled difference should appear in Sl. No. 5R and suitable explanation should be provided in Sl. No. 6 of GSTR 9C and offered for tax in Sl.No. 11 of GSTR 9C.

It may be noted that the above transactions are only an illustrative list.

Turnover discovered as 'supply' during the course of audit, but not considered either in books of account and Form GSTR 9

In respect of transactions which are neither reported in the audited Annual Financial Statements and Form GSTR 9 but are considered 'supply' by the Auditor, have to be reported under this Sl. No. This is for the reason that any adjustment made under this Sl. No., would be reflected in Sl. No. 5P and subsequently in Sl.No. 7A. An illustrative list of transactions which could be reported under this Sl.No. is provided below: -

1. Physician samples issued to doctors
2. Notice pay recovered from employees
3. Stocks issued for CSR obligations
4. Gifts given to customers/vendors/distributors
5. Goods sent on approval basis but not approved and received back within the period of 6 months from the date of goods being sent.

Amounts not disclosed in the audited Annual Financial Statements and Form GSTR 9

Where any transaction has not been reported in the audited Annual Financial Statements and Form GSTR 9, it has to be disclosed in Sl. No. 5O and Sl. No. 6 of GSTR 9C. It is relevant to note that the Auditor's role is not to carry out an investigation to find all the transactions which should have been considered as turnover but not have been reported in GSTR 9. The requirement in table 5 of GSTR 9 is to reconcile turnover which has either been reported in GSTR 9 or the audited Annual Financial Statements. However, in the case of any transaction that is apparently visible, the Auditor is required to disclose the same in table 5O and explain the same in table 6 of Form GSTR 9.

➤ **Source of information**

All the information reported here can flow from the Profit and Loss Account, Notes forming part of the audited Annual Financial Statements, Fixed Asset Schedule, Credit entries in expense ledgers, Inventory records and Form ITC-04.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Only adjustments permitted under the framework of the law should be adjusted under this Sl. No.
- All transactions which have an implication under GST, but not considered as income in the audited Annual Financial Statements, should be added under this Sl. No. This is for the reason that any adjustment made in this Sl. No., would be reflected in Sl. No. 5P and subsequently in Sl. No. 7A.
- Only those adjustments which are permissible under the framework of law should be considered here. In other words, adjustments should not be made under this Sl.No. merely to bring Sl.No. 5R to 'Nil'.
- NIL rated supplies, Non-GST supply and exempt supply should not be reduced as an adjustment under this Sl.No..

Conclusion

Clause 5O is an important Sl.No. and due attention has to be paid for the adjustments made under this Sl.No.. This would be a key area for scrutiny by the department during audit and assessment. Adjustments under this Sl.No. merely for the purpose of reconciling turnover of audited Annual Financial Statements with turnover declared in Form GSTR 9 should not be made as follows:

Sl No.	Particulars	Action	Amount
1	Samples distributed by the pharmaceutical company to physician for free	(+)	
2	Notice pay recovered from employees	(+)	
3	Gifts given to customers/vendors/distributors	(+)	
4	Stocks issued to discharge CSR obligation	(+)	
5	Incentives / Rebate received and considered as supply under GST	(+)	
6	Sales promotion / advertisement reimbursement received and considered as supply	(+)	
7	Out of pocket expenses considered in the value of supply	(+)	
8	value on which GST paid on sale of Capital Goods	(+)	

9	Profit on the sale of Capital goods disclosed in the audited Annual Financial Statements	(-)	
10	Loss on the sale of Capital goods disclosed in the audited Annual Financial Statements	(+)	
11	Inward supply returns considered as Outward supply	(+)	
12	Outward supply returns considered as Inward supply	(-)	
13	Income in Profit and Loss account recognized based on special circumstances	(-)	
14	value on which GST is liable to be paid in respect of transactions where income is recognized based on special circumstances	(+)	
15	Discounts which are not to be excluded from the value of supply as per Section 15	(+)	
16	Any other amount	(+) / (-)	

Sl. No. 5P: Annual turnover after adjustments as above

5P	Annual turnover after adjustments as above	<Auto>
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Introduction

The reconciliation statement in Sl.No.5P is auto-populated and based on the values declared against Sl. Nos. 5B to 5O.

Analysis

The notified format provides for various adjustments to the revenue declared in the audited financial statements to arrive at the turnover under the provisions of the GST law. The result of all such adjustments to the revenue as per the audited annual financial statements is termed 'Annual turnover after adjustments as above', which would be auto-populated in accordance with the pre-determined formula viz., revenue as per the audited annual financial statements add / less various adjustments to be declared against Sl.No.s 5B to 5O. The turnover arrived at Sl.No. shall comprise the following:

- (a) Taxable turnover of outward supply of goods and / or services;
- (b) Exempt turnover of outward supply of goods and / or services;
- (c) Non-GST outward supplies turnover;
- (d) Exports of goods and / or services turnover;
- (e) Outward supplies liable to GST under reverse charge mechanism.

Notes to consider

Since, Sl.No. 5P is auto-populated common errors enumerated under Sl.No.s 5A to 5O would be relevant.

Conclusion

The auto-populated turnover arrived at Sl.No. 5P should ideally be the turnover to be declared in Sl.No. 5Q if the turnover is reckoned in terms of the provisions of the GST law and is declared appropriately in the outward in GSTR – 1 and annual return in GSTR – 9. In the event of any difference, the same should be reconciled and the reasons mentioned in Part II Sl. No. 6.

Sl. No.5Q: turnover as declared in Annual Return (GSTR 9)

5Q	Turnover as declared in Annual Return (GSTR9)	
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Table No.	Instructions
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).

Introduction

Clause 5Q requires a taxable person to disclose his turnover as per the Annual Return i.e., GSTR 9 filed for the relevant financial year. Therefore, the turnover arrived at Sl.No. 5N as per the Annual Return in GSTR – 9 should be declared under Sl.No. 5Q. Accordingly, the Annual Return in GSTR – 9 should be filed along with or before filing the reconciliation statement in Form GSTR – 9C.

Analysis

➤ Source of information

The turnover arrived at Sl.No. 5P of Form GSTR 9C as stated earlier, should match with the turnover as declared in the Annual Return if the turnover is reckoned appropriately as per the GST law and declared in the returns filed in GSTR – 3B and the annual return in GSTR – 9. The turnover as arrived at Sl.No. 5N of the Annual Return in Form GSTR 9 shall be the turnover to be declared against Sl.No. 5Q.

➤ Validation of information

The turnover as arrived at in Sl.No. 5N of the Annual Return in Form GSTR 9 would comprise the sum of the following and accordingly, the source information may be validated by adopting the appropriate audit techniques:

- (i) Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table 4 of Form GSTR 9)
 - (a) Supplies made to un-Registered Persons (B2C)
 - (b) Supplies made to Registered Persons (B2B)
 - (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ)
 - (d) Supplies to SEZ on payment of tax
 - (e) Deemed exports
 - (f) Advances on which tax has been paid but invoice has not been issued

The above shall be adjusted by the value of:

- (a) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and annual return in GSTR – 9C;*
 - (b) *Supplies declared or reduced through amendments;*
- (ii) Details of outward supplies on which tax is not payable as declared in returns filed during the financial year (as per Table 5 of GSTR 9)
 - (a) Zero-rated supply (export) without payment of tax
 - (b) Supply to SEZ without payment of tax
 - (c) Supplies on which tax is to be paid by the recipient on reverse charge basis
 - (d) Exempted supplies (excluding nil-rated and non-GST supply)
 - (e) Nil-rated supplies
 - (f) Non-GST supplies

The above shall be adjusted by the value of:

- (c) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and annual return in GSTR – 9C;*
 - (d) *Supplies declared or reduced through amendments;*

The aggregate of the turnovers declared under (i) and (ii) sums up the entire gamut of outward supplies affected by a taxable person under the GST regime. It is important to note that the sum determined above shall not include inward supplies liable to tax under reverse charge basis. In other words, this amount may be regarded as the “turnover in State” or “turnover in Union territory” as defined in Section 2(112) of the CGST Act / SGST Act.

Notes to consider

- (i) The turnover as declared in the monthly return in GSTR – 1 by virtue of which the same is declared in the annual return in GSTR – 9 may not include all the taxable outward supplies on account of omissions or errors. Such differences in the turnover should not be adjusted under Sl.No. 5O for the purpose of matching the turnover between the annual return and the audited annual financial statements. The turnover as arrived at Sl.No. 5N of the Annual Return in Form GSTR 9 shall be declared against Sl.No. 5Q of GSTR 9C. The differences in turnover as per the audited annual financial statement and the turnover as per the annual return in GSTR – 9 should be reconciled and the reasons thereof should be mentioned at Part II Sl. No. 6.

Additional notes to consider

- (i) The annual return in GSTR – 9 would be furnished by a taxable person. Therefore, the turnover, taxes paid / payable, input tax credit etc., as declared therein should be validated with the returns filed in GSTR – 3B and other statements like GSTR – 1, GSTR – 2 (if filed), etc.;

Sl. No. 5R: non-reconciled turnover (Q-P)

5R	Un-Reconciled turnover (Q - P)	AT1
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Introduction

The un-reconciled turnover at Sl. No. 5R is the difference between the 'Annual turnover after adjustments as above' at Sl.No. 5P and 'turnover as declared in the Annual Returns (GSTR 9)' as declared at Sl.No. 5Q. The difference would be auto generated.

Analysis➤ *Source of information*

This is the auto generated value.

➤ *Validation of information*

The value of supplies either taxable, exempted or non-GST outward supplies not declared in the monthly returns and annual returns would form part of the auto-generated value at Sl.No. 5R. The reasons for such un-reconciled turnover should be given under Part II Sl. No. 6 of the reconciliation statement in GSTR – 9C. This could lead to any one of the following two situations:

- (i) **The 'Annual turnover after adjustments as above' at Sl.No. 5P is higher than the 'turnover as declared in the Annual Return (GSTR 9)' at Sl.No. 5Q:** This situation arises if a taxable person has not declared some taxable outward supplies, exempted supplies and non-GST outward supplies. The value of taxable supplies forming part of

the differences should be declared under Part III Sl. No. 11 and the applicable taxes thereon shall be paid appropriately by cash. The differences in exempt supplies and non-GST outward supplies shall be declared against Part II Sl. No. 7B or 7C as the case may be and reduction from the total turnover may be sought.

- (ii) **The 'Annual turnover after adjustments as above' at Sl.No. 5P is lower than the 'turnover as declared in the Annual Return (GSTR 9)' at Sl.No. 5Q:** This situation may arise if a taxable person has erroneously declared a higher turnover in the monthly return in GSTR – 3B and the annual return in GSTR – 9. The reconciliation statement in GSTR – 9C does not specifically provide to claim the benefit of tax paid erroneously. The statement which would be made available on the GST portal should be checked to verify whether the taxable value at Sl. No. 11 may be declared in the negative so that refund of tax remitted on such turnover can be claimed. Clarification on this issue is awaited.

Notes to consider

- (i) The turnover arrived at Sl.No. 5P may be higher than the turnover as per the annual return to be declared at Sl.No. 5Q on account of not declaring certain turnovers which could be either taxable outward supplies, exempted outward supplies or non-GST outward supplies in the monthly returns and annual returns. If certain taxable outward supplies are not declared in the monthly / annual returns and exempted supply / non-GST outward supplies are declared appropriately in the monthly return and annual return, the unreconciled turnover arrived at Part II Sl. No. 5R should match with the unreconciled taxable turnover arrived at Part II Sl. No. 7G.
- (ii) If the taxable person has not declared the exempt supplies and non-GST outward supplies in the monthly / annual return, the unreconciled turnover at Part II Sl. No. 7G should be lower than the unreconciled turnover arrived at Part II Sl. No. 5R to the extent of the value of exempt supply and non-GST outward supply not declared in the relevant return. This check would also hold good where the zero-rated supply and supply liable to tax under reverse charge mechanism is not declared in the relevant return.

Sl. No. 6- Reasons for Un - Reconciled difference in Annual Gross turnover

6	Reasons for Un - Reconciled difference in Annual Gross Turnover	
6A	Reason 1	<<Text>>
6B	Reason 2	<<Text>>
6C	Reason 3	<<Text>>

Table No.	Instructions
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.

1. Introduction

This portion of GSTR 9C identifies the turnover differences to be placed on record for explaining the differences between the GST Returns and the Audited Financials. All the information filled up in the GST returns has to be flown from the Books of Accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the Registered Person on a special approval basis, which are not reconciled at turnover level should be disclosed in this Sl.No..

For instance, the mechanism for the determination of Revenue in case of Sale of a Capital Asset shall differ for the value to be disclosed in the GST Returns compared with that of the practice adopted in the Book of Accounts

2. Analysis

(a) Source of information

The data which has to be filled up in this table is a conclusion drawn up on account of a Reconciliation for the turnover as per the Books of Accounts compared with the Annual Return.

Further, review of the transactions effected through the E-Way Bill gives the exceptional transactions if any to be reported through the above reconciliation

(b) Relevant document/ Books/ Records

Examine the turnover available as per the Audited Financial Statements with that of the Annual turnover determined as per GSTR 9. Information available in Notes to Accounts as per the Audited Financial statements gives the additional information for the Exceptions if any to the regular practice of maintenance of the Books of Accounts.

(c) Validation of information

Information has to be compared on equitable basis for clarity on what is to be compared as turnover considered in the Financial Statements with that of the turnover compared in the GST Returns. For instance, turnover on the sale of Fixed Assets should be considered for the whole consideration value in the GST Returns. However, only Profit/Loss on such sale shall be considered in the Books of Accounts. For having an equitable basis for both the turnovers, we need to gross up the Profit/Loss in the Books of Accounts for a matching comparison with the GST Returns.

3. Illustration

The following illustrations can be considered for reporting the reconciliation differences:

- (a) Capital Gain/ Loss on sale of a Fixed Asset recorded in the Books for turnover purpose compared with the Total consideration available in GST Returns
- (b) Government grant received on account of Capital/Revenue commitment needs a special disclosure in the Books based on the conditions to be complied with. However, disclosure of the total sum in the GST Returns in the period of its receipt shall call for the reconciliation as per above
- (c) Transaction reported in a Delivery challan during the financial year for supply on sale or approval basis beyond a period of six months shall be deemed to be a supply under GST. However, that may not be a sale for revenue recognition in the Books for such transactions. Assuming GST Returns carry the supply details and no revenue recognition has been done in the Books of Accounts, this shall call for the reconciliation

4. Notes to consider

Possible errors in the preparation of the above reconciliation are given below:

- Discrepancy on account of transactions recorded on the expense allocation shall not be cast in this para for the purpose of reconciliation
- Turnover as per the Books is not explained duly for the purpose of this reconciliation. Head of the revenue applicable as per the Books may not be cast to be the same as per the supply in GST Returns filed. Extra caution is required for identification and segregation in this regard

5. Auditors

- (a) Note

The Auditor shall make a reference to the basis for reconciliation of the turnover related adjustments called for on the basis of the information available in the Notes to Accounts and any special adjustments caused by reference to other statutory requirements

- (b) Qualification

The Auditor needs to report whether the Books and Returns can be compared and quantify the reasons duly justifiable for the discrepancies reported, if any.

- (c) Disclosure

The Auditor should make a disclosure regarding the reasons that come in the way of the reconciliation process or concluded for sake of clarity on taxable nature.

Sl. No. 7B. Value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover

7	Reconciliation of Taxable Turnover	
7A	Annual turnover after adjustments (from 5P above)	<Auto>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply Turnover	

Table No.	Instructions
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Clause 7B requires reduction of value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover from the Annual turnover after adjustments to arrive at taxable turnover. In order to comprehend the scope of these Sl.No.s, we need to understand the terms "Exempted, Nil rated, Non-GST supplies, No-Supply". This shall be reported net of credit notes, debit notes and amendments if any.

Analysis

All the supplies on which tax has not been charged except for exports and reverse charge supplies should be reported under Clause 7B. The information can generally be obtained from the credit side of the Profit and Loss account. In case of a barter transaction, the sale of fixed assets at loss etc would not appear in the profit and loss account. Therefore, that information shall be obtained from the Fixed assets schedule or the stock register. The value of No-supply can be taken as reported in the Books.

Validation of information

Clause 7B essentially comprises the following 4 classes / types of supplies:

- (a) Supplies taxable at a 'NIL' rate of tax; currently there are no goods / services under 'NIL' rate category
- (b) Supplies that are wholly or partially exempted from CGST, SGST or IGST, by way of a notification; E.g.: Milk, water, education service, health care services, etc.,

- (c) Non-taxable supplies as defined under Section 2(78) of the CGST Act – supplies that are not taxable under the Act (viz. alcoholic liquor for human consumption).
- (d) No supplies include the activities covered under Schedule III which are neither a supply of goods nor a supply of services. Examples- Sale of land or completed building, actionable claims, other than lottery, betting, and gambling.

The definition of exempt supply u/s 2(47) covers three out of four terms used in Clause 7B and is also a part of disclosures in Form GSTR 1, GSTR 3B and GSTR 9. Further, instruction to SI No. 5D, 5E and 5F of GSTR 9 specifically includes the value of 'no supply'. Therefore, the turnover disclosed as No supplies would appear only in GSTR 9 and GSTR 9-C. With this instruction being there, the Auditor needs to disclose whether he has ensured declaration of the same in GSTR 1 and GSTR 3B.

Illustration

The following supplies would form part of the reporting under value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover in the case of a hospital:

- (a) Consultation fees received by the hospital Rs.2,50,00,000/- (Exempted supply)
- (b) Diagnostic services provided by the hospital Rs.40,00,000/- (Exempted supply)
- (c) Excess petrol available in the hospital sold to a related party Rs.10,000/- (Non-GST supply)
- (d) Land sold by the hospital Rs.5,00,00,000/- (No-supply)

Common errors /control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Cross link with corresponding items in GSTR FORM 9 – Part II SI.No. 5D, 5E and 5F;
- Notes to GSTR FORM 9-C may be drafted for this SI.No. as to the manner of its quantification from the Books and records and correlated with returns filed in GSTR Form 3-B;
- To be cross checked with exempted turnover computation for the purpose of Section 17(2).

Auditors' Notes to consider

The value of No-supply as reported in books is considered to be the actual value for the purpose of reporting in GSTR 9-C.

Conclusion

Therefore, Clause 7B of Part II to GSTR 9-C would contain the value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover.

Sl. No. 7C. Zero rated supplies without payment of tax

7C	Zero rated supplies without payment of tax	
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Table No.	Instructions
7C	Value of zero-rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Clause 7C of GSTR 9C requires disclosure of value of zero-rated supplies without the payment of tax which forms part of the 'Annual turnover after adjustments (from 5P above)' at Sl.No. 5P. This should also consist of the value of zero-rated supplies which have not been declared in the monthly return / annual return erroneously for the reason that the adjusted turnover at Sl.No. 5P contains even such zero-rated supplies. Therefore, such value of zero-rated supplies should be deducted from the adjusted annual turnover arrived at Sl.No. 5P so as to claim exemption. In short, the zero-rated supplies as recorded in the audited annual financial statements should be declared against Sl.No. 7C provided such zero-rated supplies have also not been declared in monthly returns filed for the period April to September following the relevant financial year.

Analysis

Zero rated supply under the provisions of GST law means:

- (a) Exports of goods or services or both.
- (b) Supply of goods or services or both to Special Economic Zone developer /Special Economic Zone unit.

The zero-rated supplies can be effected either by payment of tax or without payment of tax upon filing a letter of undertaking (LUT). Since, under Sl.No. 7 the taxable turnover as arrived from the revenue recorded in the audited annual financial statement should be reconciled with the taxable turnover as declared in the monthly returns / annual returns, only zero-rated supplies without payment of tax should be declared against Sl.No. 7C.

In case of export of goods, the tax Invoices are issued prior to the issuing of shipping bill for entering goods into the customs area in inland container depot. The recognition of revenue in the financial statement would depend upon the terms of agreements with the buyer. The terms of contract can be Free on-Board basis (FOB) or Cost Insurance Freight basis (CIF).

In case of the FOB contract the revenue is recognized on the date of actual shipment or filing of bill of lading as the risk of title and ownership is transferred to the foreign buyer when the goods are boarded on the conveyance.

In the case of CIF contract the revenue is recognized on the date of receipt of delivery by the foreign buyer. In such instances the insurance and freight are borne by the supplier and the risk of title and ownership is transferred to the buyer on delivery to the foreign buyer.

Revenue cannot be recognized based on the Invoice date and hence such revenue may be classified as unearned revenue till the actual shipment when bill of lading is filed and goods are handed over to the person in charge of the conveyance. Therefore, in the case of FOB contract, such unearned revenue shall be recognized as revenue from the sale of goods on the date of actual shipment/filing bill of lading.

Therefore, in such instance the foreign buyer Account would be debited with unearned revenue on the date of issue of tax Invoice and in case of recognition of revenue, the sales entry would be passed by deducting the unearned revenue.

Illustration:

- (a) Foreign buyer A/c – Dr
 To Unearned revenue A/c
 (On the date of issue of tax Invoice)
- (b) Unearned Revenue A/c- Dr
 To Sales A/c
 (On the date of recognition of revenue)

Therefore, where the tax invoice is issued prior to 31st March 2018 and shipping bill / delivery of goods takes place after 31st March, 2018 it is relevant to understand the manner in which the transactions are recorded in the financial statements. If the exports are recognised as revenue for the financial year 2017-18, such value of exports should be declared against Sl.No. 7C. However, if the exports are recorded as unearned revenue in the annual audited financial statement as on 31st March 2018, this would not form part of the revenue for 2017-18. Therefore, such value shall not form part of the value to be declared in Sl.No. 7C. Such value should be declared against this Sl.No. of GSTR – 9C since, the exports would be declared in the monthly returns / annual returns but would not form part of the revenue recorded in the audited annual financial statements;

The export transactions effected without the payment of IGST (Under Bond/Letter of undertaking (LUT) are reported on Invoice basis:

- (a) Table 6A and 6B and Table 9 A and 9C of GSTR 1.

- (b) Table 5A and 5B and for Amendments in Table 5J and Table 5K in Form 9
- (c) Table 7C of Form 9C

Therefore, the exports turnover as recognized as per the Audited Financials has to be reconciled with the

- (a) Exports with payment of taxes
- (b) Exports without payment of taxes
- (c) Unearned Revenue
- (d) Any other items

➤ **Source of information**

The source of information for zero-rated supplies shall be obtained from the outward supply statement in GSTR – 1 and revenue register forming part of books of accounts. The outward supply statement filed in GSTR -1 shall be correlated with the zero-rated supplies declared in the monthly returns in GSTR – 3B.

➤ **Validation of information**

In respect of export of goods without payment of duty, the data may be verified in the following manner:

- (a) invoices along with packing list issued for export of goods;
- (b) shipping bill / bill of lading;
- (c) application seeking refund of input tax credit, if any along with the details / documents filed therewith;
- (d) verification of shipping bills from ICEGATE portal on a sample basis;
- (e) letter of undertaking in Form GST RFD – 11 filed – since, the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;
- (f) foreign inward remittance may be verified even though it is not mandatory in case of export of goods;

In respect of supply of goods to SEZ without payment of taxes, the data may be verified in the following manner:

- (a) Invoices by the supplier. The invoice would contain the endorsement of the SEZ officer;
- (b) purchase order issued by the SEZ recipient;
- (c) agreement for supply of goods, if any between the supplier and the SEZ-recipient;
- (d) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

In respect of export of services, the data can be validated in the following manner:

- (a) the invoices issued for export of services;
- (b) purchase order, if any, issued by the recipient of services;
- (c) the agreement between the supplier of services and the recipient of services;
- (d) bank statement or the certificate issued by the bank for inward remittance of foreign exchange;
- (e) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;
- (f) application seeking refund of input tax credit, if any, along with the relevant documents;

In the case of supply of services to SEZ without payment of taxes, the outward supplies can be validated in the following manner:

- (a) Verification of the copy of invoice. As a practice, the SEZ-recipient issues a copy of the invoice endorsed by the specified officer of the concerned SEZ.
- (b) purchase order issued by the SEZ-recipient;
- (c) agreement between the supplier of services and the recipient of services;
- (d) the default list of the authorised operations list of the SEZ-recipient if available with the supplier may be verified;
- (e) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

Notes to consider

Possibilities of errors while disclosing the zero-rated supplies without payment of taxes in GSTR 1 and GSTR 3B are:

- (a) Zero-rated supplies with payment of tax should not be declared against Sl.No. 7C. Such exports would form part of the taxable turnover to be arrived at Sl.No. 7F;
- (b) The option to export or supply to SEZ without payment of tax is available only if the letter of undertaking is filed. Due caution should be exercised if the letter of undertaking is not filed and the tax is also not remitted. In such a scenario, exemption claimed should not be disallowed on the grounds that the letter of undertaking is not filed in case if the export supplies or SEZ supplies are fructified. In this regard, attention is drawn to Circular No. 37/11/2018 – GST dated 15.03.2018 wherein it is clarified that substantial benefits of zero-rated supplies should not be denied if it is established that the goods or services have been exported. In such a scenario, the Auditor may issue the certificate with necessary audit note in this regard.

- (c) Rule 96A specifies that a taxable person would be liable to pay applicable tax along with interest within fifteen days from the following date:
- In case of goods – after the expiry of three months or such further period as may be allowed by the Commissioner from the date of issue of the invoice for export, if the goods are not exported out of India;
 - In case of services – after the expiry of one year or such further period as may be allowed by the Commissioner from the date of issue of export invoice, if the payment is not received by the exporter in convertible foreign exchange.
- If the tax is remitted in terms of Rule 96A of CGST / SGST Rules, the relevant zero-rated supplies should not be declared against Sl.No.7C since the tax on such supplies have been remitted.
- (d) Where a taxable person is effecting zero-rated supplies without payment of tax and certain zero-rated supplies with payment of tax, due caution should be exercised to bifurcate the zero-rated supplies without payment of tax and accordingly, declared them against Sl.No. 7C.

Additional Notes to Consider

The following has to be ensured while validating the value of zero-rated supplies without payment of tax reported under this head:

- (a) The GSTIN wise bifurcation of zero-rated supplies without payment of tax effected has to be arrived at appropriately;
- (b) The tax remitted under Rule 96A of CGST / SGST Rules, if any, should be identified. The zero-rated supplies relating to such remittance should not be declared against Sl.No. 7C.
- (c) Goods exported in pre-GST regime, but recognised as revenue in GST regime in the audited annual financial statements, should be ascertained and such zero-rated supplies should be declared against Sl.No. 5O. Such zero-rated supplies may not qualify as turnover for the purpose of the GST law but would be accounted as revenue as per the audited financial statements.
- (d) The supplies effected under merchanting trade would not qualify as an export under the GST law. Accordingly, such supplies may not be declared under the reconciliation statement in GSTR – 9C.
- (e) Deemed exports, if any, effected by the taxable person shall not be declared against Sl.No. 7C since, such supplies would not qualify as zero-rated supplies without payment of tax under the provisions of the GST law.

Conclusion

Zero-rated supplies without payment of tax effected by a Registered Person for the period July 2017 to March 2018 should be declared against SI.No. 7C. Zero-rated supplies on payment of tax shall form part of the turnover to be arrived at SI.No. 7F.

SI No. 7D - Supplies on which tax is to be paid by recipient on reverse charge

7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	
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Table No.	Instructions
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Section 2(98) defines reverse charge to mean a case where liability to pay tax is on recipient of supply of goods or service instead of supplier u/s 9(3) and 9(4) of CGST/ SGST Act or S.5(3) or 5(4) of IGST Act.

Analysis

Relevant Provisions

- (a) Relating to goods: N.No.4/17 CT (R) and 4/17 IT (R) dt.28.6.17, as amended.
- (b) Relating to services: N.No.13/17 CT(R) dt.28.6.17 and N.No.10/17 IT (R), as amended.
- (c) As per S.17(3) of the CGST/ SGST Act, 17, exempt supply shall include supplies on which the recipient is liable to pay tax under reverse charge. The meaning of this provision is that where a supplier is supplying goods/ services, the tax on which is liable to be paid by recipient then such supply of goods/ services would be treated as exempt supply in the hands of such supplier.

Source of Information

The following documents may be verified for information:

1. The Auditor has to verify if the supplier has more than one vertical. One of them vertical must be on forward charge and one on reverse charge. The vertical on reverse charge should be taken under '*supplies on which tax is to be paid by recipient on reverse charge basis*'.
2. Data entered Table 4B of GSTR 1 (Supplies attracting tax on reverse charge) should be taken as the source for this information. The data would have been entered in Table 4B providing invoice level details

3. The aforesaid information should be also entered in Table 3.1(c) (Other outward supplies – Nil rated, exempted) of GSTR 3B
4. Table 7 provides for 'Reconciliation of taxable turnover'. Table 7A starts from the Annual turnover after adjustments. The data in Table 7A is auto populated from entries in Table 5P, which refers to 'Annual turnover after adjustments. From the said turnover, the following turnovers are reduced:
 - (a) value of the exempted turnover
 - (b) nil rated turnover
 - (c) Non-GST turnovers
 - (d) No Supply turnovers
 - (e) Zero rated turnover made without payment of tax
5. In light of the above, it can be inferred and concluded that the data to be entered under Sl.No. 7D is supplies made by the supplier, on which tax is to be paid by the recipient.
6. It is reiterated at the sake of repetition that expenses on which tax is paid by Registered person as recipient of service should not be inserted in this column and reduced from Annual Adjusted turnover since table 7 is seeking to reduce items from Annual turnover after adjustments to arrive at turnover of Registered person which is liable to tax.

Validation of Information

- (i) The first level of validation would be cross verification between the ledger account of the outward supply which is liable to reverse charge, with the values entered in Table 4B of GSTR 1. The verification should be conducted month wise. If the data verified pursuant to the aforesaid verification matches, then it would provide a level of comfort to the Auditor.
- (ii) The second level of validation is cross referencing the data in Table 4B of GSTR with data in Table 3.1(c). While cross referencing the data, only exempted supply on account of reverse charge should be extracted from Table 3.1. (c) After such extraction, any difference in Table 3.1. (c) and Table 4B would point to a prima facie mistake.
- (iii) The aforesaid outward supply subject to reverse charge to be entered in Table 7D of Form GSTR 9C is net of the debit and credit notes because these notes on account of the aforesaid outward supplies would have been accounted in Table 9B and 9C of GSTR 1.

Common Errors, Checks and Balances to validate correctness and completeness:

- (a) The value on which tax is paid under reverse charge u/s 9(3) and 9(4) may be wrongly entered here. What is to be entered in Table 7D is the supplier's/ Registered person's outward supply, which is liable to reverse charge by a third person and not by the supplier/ Registered person.

- (b) There could be cases where the supplier has charged tax in his invoice whereas tax ought not to have been charged but paid by the recipient. In such cases, where tax has been separately charged and shown in the invoices, then such tax, if collected “by the supplier from the recipient” ought to be paid to the government exchequer. If such tax has not been paid, then it is recoverable as per Section 76 of the CGST/ SGST Act.
- (c) The Auditor would have to verify if the GTA is availing ITC and charging GST @ 12%. If that is happening, then the said turnover would fall within the meaning of taxable turnover and not be deducted under this entry.
- (d) In cases where GTA is not availing ITC and not charging GST in the consignment note, then the said turnover would come under this entry in 7D.
- (e) There could be cases where the supplier has paid tax on his outward supplies, which are liable to reverse charge. In such cases, though the supplier has paid tax, it is not legally correct. Such supplies on which tax has been paid wrongly on forward charge, though liable to tax under reverse charge, will still have to be entered in Table 7D and deducted from the Adjusted turnover to arrive at the taxable turnover.
- (f) Once the aforesaid turnover is treated as ‘exempted turnover’ for the supplier, the credit reversals under Rule 39, 42 and 43 of the CGST/ SGST Rules should be computed and reversed.
- (g) The credit reversals under Rule 42,43 of CGST/ SGST Rules find a specific mention in Table 4B (1) of GSTR 3B. Thus, the credit reversals should also be computed. Though data relating to reversal of credit need not be uploaded in this entry i.e. Table 7D, it would be the Auditor’s duty to verify if credit reversals have been made u/s 17 r/w Rule 39, 42 and 43 under the respective entries.
- (h) The Auditor would have to verify if the invoice issued with respect to aforesaid services contains a declaration that ‘tax is payable under reverse charge’ by the recipient of service as per Rule 46(p) of CGST/ SGST Rules, 17. The aforesaid provisions shall apply to the receipt voucher and refund voucher as per Rules 50 and 51 of the CGST/ SGST Rules.
- (i) Where a person provides services to a body corporate as director and also provides services to other persons not in the capacity of a director, then the services provided in the capacity of the director to the body corporate would fall under Entry No. 7D whereas all other services provided by him would form part of the table turnover.
- (j) Similarly, where a person provides services as a recovery agent/ insurance agent and also provides services to bank/ insurance company in addition to his other services, then the consideration received from the bank/ insurance company should be entered in Table 7D and other services liable to forward charge should form part of taxable turnover as per Table 7E.

- (k) Temporary transfer of copyright by an author or music composer, photographer, artist, or the like relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like u/s 13(1)(a) ought to be mentioned in Table 7D. All other considerations received by them, including consideration received for temporary transfer of copyright u/s 13(1)(b) and 13(1)(c) would be liable to tax under forward charge and included in Table 7E.
- (l) Table 3.1. (c) of GSTR 3B relating to other outward supplies includes NIL rated supplies and exempted turnover. As per S.17(3) outward supplies which are liable to reverse charge shall be treated as exempted turnover for the supplier. Thus, the outward supplies liable to reverse charge would be included in this table. The aggregate of this turnover disclosed in GSTR 3B for July 17 to March 18 must be extracted and matched with invoice level details in the books of accounts and invoice level details entered in GSTR 1 (Table 4B). Data must be entered in Table 7D only after the aforesaid reconciliation.

Notes to GSTR 9C:

In case the invoice does not contain the declaration required under Rule 46 or credit has not been reversed under Rule 39, 42 or 43 or tax has been wrongly collected by the supplier on services liable for reverse charge (and retained by the supplier), then such infractions should be reported in the Audit Report because the Audit Report has to have disclosures regarding non-maintenance of records and documents/ observations and inconsistencies relating to reversals of credit.

Illustration:

Please state which of the following are liable to reverse charge

- (a) GTA issued a consignment note on 1.1.18. The consignment notes charges GST @ 12%. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table 7D?
- (b) GTA issued a consignment note on 1.1.18. The consignment note does not charges GST. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table 7D?
- (c) Advocate Mr. X has provided legal service and charged GST of Rs. 18 on his invoice of Rs.100. The advocate's client has paid 118 to the advocate. The advocate has remitted Rs.18 to government and is of the opinion that the aforesaid transaction should not be reduced in Table 7D. Is the stand taken by the advocate correct?

Answers

1. The Consignment note contains GST @ 12%, so reverse charge does not attract as per N.No.13/17 CT (R) w.e.f 22.8.10. Hence tax has to be paid by GTA under forward charge, and this transaction should not be entered in Table 7D.

2. Since consignment note has not charged GST @ 12%, reverse charge provisions would apply. Tax is to be paid by the person liable to pay freight, that is, the recipient and not the GTA under forward charge. Because of this, the impugned transaction has to be entered in Table 7D.
3. Supplies by a Registered Person, whose suppliers are liable for reverse charge, are to be inserted in Table 7D. Legal service provided by the advocate to his client is liable for reverse charge (assuming all other conditions in reverse charge notification stand satisfied). Hence the impugned transaction should be inserted in Table 7D. GST wrongly collected and paid by the advocate under forward charge will not change the fact that the aforesaid service is liable to reverse charge and hence merits insertion in Table 7D

Conclusion

It must be ensured that if the supplier has turnover which is liable to both forward charge and reverse charge then the turnover liable to reverse charge should be accounted in FORM 7D. It may be ensured for purposes of control that the aggregate of turnover under forward charge and reverse charge is the total turnover.

Sl. No. 7F - taxable turnover as per liability declared in Annual Return

7F	Taxable turnover as per liability declared in Annual Return (GSTR9)	
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Table No.	Instructions
7F	Taxable turnover as declared in Table 4N of the Annual Return (GSTR9) shall be declared here.

Introduction

Clause 7F of GSTR 9C requires that the taxable turnover as per the liability should be declared in the Annual Return (GSTR 9).

Analysis

Source of information

Instruction as per GSTR 9C - taxable turnover as declared in Table 4N of the Annual Return (GSTR 9) shall be declared here. The information must flow from GSTR 9 which contains supplies and advances on which tax is paid. The turnover arrived at Part II Sl. No. 8F of Form GSTR 9C should match the turnover as declared in the Annual Return

Validation of information

The taxable turnover arrived at in Sl.No. 4M of the Annual Return in Form GSTR 9 will

comprise the sum of the following and accordingly, the source of information may be validated adopting the appropriate audit techniques:

Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table 4 of Form GSTR 9)

- (a) Supplies made to un-Registered Persons (B2C)
- (b) Supplies made to Registered Persons (B2B)
- (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ)
- (d) Supplies to SEZ on payment of tax
- (e) Deemed exports
- (f) Advances on which tax has been paid but invoice has not been issued for the period of audit.
- (g) Inward supplies on which tax is paid under reverse charge mechanism

The above shall be adjusted by the value of:

- (a) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and the annual return in GSTR – 9C;*
- (b) *Supplies declared or reduced through amendments;*

It is relevant to note that the credit note and debit note issued after the end of the financial year should not be adjusted against the turnover. Such adjustments whether by way of amendments or by issuing debit/credit notes post March 31st of the relevant financial year shall form part of the turnover/annual return filed for the financial year in which such adjustment was made, or debit/credit note was issued. Thus, details entered in Part V of GSTR 9 should not be adjusted with the turnover as determined above.

For the detailed process of validation refer to GSTR 9 manual Part 4.

Notes to Consider

GSR-9C contains notes disclosing certain limitations inherent in this exercise:

- Details of GSTR 9 prepared and filed by the Registered Person has been provided in GSTR 9C.

Conclusion

Therefore, in Sl.No. 7F of GSTR 9C taxable turnover as declared in the Annual Return in GSTR 9 Sl.No. 4N would have to be disclosed.

Sl. No.8 Reasons for Un - Reconciled difference in Taxable Turnover

8	Reasons for Un - Reconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

Introduction

This part of GSTR 9C identifies the taxable turnover differences to be placed on record for explaining the differences between the GST Returns and the Audited Financials. All the information filled up in the GST returns has to flow from the Books of Accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the Registered Person on special approval basis, which are not reconciled at turnover level should be disclosed in this Sl. No.

For instance, the mechanism for the determination of Revenue in case of Sale of a Capital Asset shall differ for the value to be disclosed in the GST Returns compared with that of the practice adopted in the Book of Accounts.

Analysis**Source of information**

The data which has to be filled up in this table is drawn out of Sl. No.s 5, 6, 7. Further, review of the transactions effected through the E-Way Bill gives details about the exceptional transactions, if any, to be reported through the above reconciliation

Relevant document/ Books/ Records

Examine the Agreements, Work Order, Purchase Order etc., to check the tax applicability. If any exemption benefits have been availed, check if the conditions for availing them have been met. Examine the existence and validity of LUT obtained for the Zero-rate supplies made.

Validation of information

Reconciliation difference derived in Table 5 and Table 6 of Part II of GSTR 9C shall be considered

Illustration

The following illustrations can be considered for reporting the reconciliation differences:

- (a) Zero-rated supply made by the Registered person during the previous year. If the conditions relevant for the supply have not been complied by the Registered person, then the supplies can be construed to be regular supplies.
- (b) Transaction reported in a delivery challan during the financial year for supply on sale or approval basis beyond a period of six months shall be deemed to be supply under the GST. However, that may not be a sale for revenue recognition in the books of accounts for such a transaction. Assuming the GST returns carry the supply details and no revenue recognition has been done in the books of accounts, this shall call for reconciliation.
- (c) Exemption conditions not fulfilled by the Registered person while exercising the option to supply either a Nil rated or Exemption, shall be reported as Regular Supply.

Common errors

Possible errors in the preparation of the above reconciliation are given below:

- Exemption turnover that is not in compliance with the conditions shall be construed as a regular supply in the Books unless discovered.
- Supply made without payment of tax is grouped under Zero-rate by mistake.

Auditors Note

The Auditor shall make a reference to the Zero-rate supply or exempted supply for the conditions laid out as per the GST law.

The Auditor should make a disclosure about the reasons that cannot be reconciled for or concluded for sake of clarity on taxable nature.

Part III: Reconciliation of tax Paid

Scope

After reconciling the turnover declared and reported in the Audited Financial Statement with turnover declared in Annual Return along with reasons for reconciliation if any, the relevant Part III of Form 9C requires an Auditor to reconcile the rate-wise liability of tax, total amount payable thereon with tax actually paid as declared in the Annual Return and recommendation of additional tax payable due to non-reconciliation of the taxable value.

The relevant Part III of Form 9C is bifurcated into 3 tables i.e. Table 9, 10 and 11. Table-wise details to be disclosed in Part-III are as under

Table Number	Brief Details to be entered in each Table
9	Reconciliation of rate wise Liability and amount payable thereon
10	Reasons for un-reconciled payment of amount
11	Additional amount of tax, Interest, Late Fees, Penalty and Others payable but not paid (due to reasons specified under Tables 6, 8 and 10)

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 / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
II	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>
Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of amount				PT 1	

Table No.	Instructions
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled –RC , supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.

9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).

Scope

The relevant Table 9 requires the Auditor to provide details of taxable value along with the Gross tax Liability booked by the Registered Person whose Form 9C is being filed by him. The said tax liability needs to be reported rate wise in Table 9. Further, the taxable value and liability of tax on which the given Registered Person is required to pay tax under Reverse Charge Mechanism are also required to be reported rate-wise separately. After reporting of the same, the details of Total tax payable for the Financial Year 2017-18 as declared in GSTR 9 i.e. under the Annual Return is also required to be disclosed. The given table also requires the disclosure of Interest, Late Fees and Penalty Payable.

Purpose

The purpose of the given Table is to quantify the un-reconciled tax Payable and other amounts recorded in the books of accounts with amounts disclosed in GSTR 9. It shall help the Auditor to recommend in Part V of the GSTR 9C, the additional tax Liability to be paid by the Registered Person due to Non-Reconciliation of taxable value in the Books of Accounts and GSTR 9.

Analysis

➤ Sources of Information

Rate-wise details of tax Liability

7 rates of tax have been notified on the supply of goods and services affecting the tax liability during the year 2017-18. The said rate of taxes are Nil, 0.10%, 0.25%, 3%, 12%, 18% and 28%. The rate-wise details of tax liability to be entered in Table 9 first. Then it is to be bifurcated in two parts for:

- (a) Outward Supply
- (b) Inward Supply

For rate-wise tax Liability on Outward Supply

From the scheme of Table 9 it is clear that the Auditor is required to report the GST payable rate wise dissected total taxable turnover calculated in Table 7E under Part II of GSTR 9C. Once the taxable value is reported under various rates as specified in sub-parts A, C, E, G, I, J, and K, the relevant amount of tax shall be calculated by the system.

The values that are to be reported in Table 9 should be taxable value as reported under Table 7E of GSTR 9C, i.e. Adjusted Total turnover for the FY 2017-18 under the GST and the amount of tax (rate wise) should be derived mathematically.

7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
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Table No.	Instructions
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.

The details of adjusted Total turnover needs to be broken down in accordance with the GST rates based on the reports generated from the books of accounts and necessary adjustments made in Part II of GSTR 9C which have not impacted the books of accounts of the Registered Person should also be considered rate-wise for the purpose of finding the taxable value.

For rate-wise tax Liability on Inward Supply Liable for Reverse Charge

Just like the GST rate wise details of taxable value for outward supply are disclosed in the given Table. In a similar manner the details of taxable value of inward supplies on which the Registered Person is required to pay tax under reverse charge should be disclosed. The details for this have to be taken from the books of accounts. In case of tax payable under RCM, there shall be two scenarios.

- The tax was payable under Section 9(3) and 5(3) of the CGST Act 2017 and various SGST Acts 2017 and IGST Act 2017 respectively. The said details shall be fetched for the period from July 2017 to March 2018.
- The tax was payable under Section 9(4) and 5(4) of the CGST Act 2017 and various SGST Acts 2017 and IGST Act 2017 respectively on supplies received from unregistered suppliers. The said details should be taken for a period up to 12th October 2017 only.

The base in given case should be taxable value only and the amount of tax shall be sub-set and would be derived accordingly.

For Interest, Late Fee, Penalty and Other Payables

The details of any liability of Interest under Section 50 of the GST Acts accounted for in the books of accounts or any Late Fees for Late filing of GSTR 3B or penalty leviable under any relevant sections of the Act needs to be reported here.

For the calculation of Interest under any given column, the rate-wise taxable value as reported under column 2 of Table 9 should be further bifurcated month-wise from July 2017 to March

2018. Only after comparing the monthly tax liability calculated on the basis of details of tax paid reported in the monthly GSTR 3B, will the correct amount of interest be calculated and reported.

Checking needs to be done to see if there is any amount which should not have been reported in the monthly GST Returns (like penalty under Section 129 of the GST Acts for movement of goods without compliance of Rule 138 of the GST Rules) but accounted for in the books of accounts and relating to GST should also be reported in given columns. The respective accounts of expenses in the Profit and Loss Account needs to refer to get information in this regard.

For Total amount paid as declared in the Annual Return (GSTR 9)

The amounts in the given row shall be the summation of amounts entered in Table 9 under Part IV and Table 14 under Part V of the Form 9 i.e. details of amount paid through Cash and ITC during the financial year 2017-18 in GSTR 3B and also details of the amount paid in GSTR 3B for differential tax liability declared in GSTR 1 filed between April 2018 to September 2018. It has to be ensured that only details of tax paid are taken and not the details of tax Payable.

For non-reconciled payment of tax

The same shall be auto calculated by the system based on difference between Clause 5P and 5Q of Table 9.

➤ Validation of Information

(A) For tax Payable

(a) In relation to Outward Supply

As mentioned above, the amount of adjusted total turnover in Table 7E is the base from which the details of tax Paid on the basis of the reconciliation statement are reported in Table 9P. But the details in Table 9P are auto populated based on the details entered in the rate-wise GST tax Liability and the values of taxable Service there on.

For information to be fed in Table 9, the data should be extracted in four parts tabulated as following

S. No.	Particulars	To be compiled Yearly/Monthly	Relevant Table of GSTR 9C
1.	Total turnover as per the audited Financial Statements	Monthly	5A
2.	Add / (Less) Adjustments for Unbilled Revenue +/-	Yearly	5B and 5H

	• Credit Notes issued after the FY turnover (Apr 17 to June 17) • Unadjusted Advances +/-	Yearly Apr-June Yearly	5E 5G 5C and 5I
3	Add / (Less) Adjustments for • Trade Discount • Financial Credit Note • SEZ to DTA Supply • Composition turnover • Foreign Exchange Adjustment • Exempted NIL rated Supply • Zero rated Supply without tax • Outward Supply liable for RCM	Monthly Monthly Monthly Monthly Monthly Monthly Monthly Monthly	5F 5J 5K 5L 5N 7B 7C 7D
4	Add / (Less) Adjustments to be made where there is no impact of the following on turnover in the books of Accounts • Deemed Supplies • Adjustment in taxable value • Other Adjustments	Monthly Monthly Monthly	5D 5M 5O
5.	Total of (1) + (2) + (3) + (4) = Adjusted Total turnover or Ideal GST turnover or taxable value for FY 2017-18 in the books of accounts	Yearly	7E

Now, on perusal of the given table it is suggested that data of Gross values required to be entered in Table 5 and 7 under PART II of GSTR 9C should be complied either on a monthly basis or on a yearly basis as specified above from the books of accounts. Further, for particulars mentioned in Sl. No 4, no details shall be mentioned in the books of accounts since no adjustments in relation to same could have been done in books of accounts. Since their taxable value is a part of adjusted turnover under Table 7E, it is suggested that a separate working sheet for the same should be prepared on a monthly basis.

Once the frequency with which the data has to be fetched for the adjusted turnover is decided, for purposes of Table 9, through the books of accounts and other related reports to be generated, each of the said details should be further broken down under the various GST rates to which it is mapped in the books of accounts on monthly or yearly basis, as the case maybe.

Lastly, the total of adjusted turnover as deduced in S.NO 5 shall be bifurcated as per the GST rates.

A table depicting how month-wise details of the adjusted turnover should be prepared is enumerated as under:

S.No.	Particulars	Frequency	0%	0.10%	0.25%	3%	5%	12%	18%	28%	Total
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under	Monthly	15	25	30	40	50	20	50	20	250
B	Unbilled revenue at the beginning of Financial Year	(+) Yearly									
C	Unadjusted advances at the end of the Financial Year	(+) Yearly									
D	Deemed Supply under Schedule I	(+) Monthly							50		
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+) Yearly									
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				2	2	2	2	2	10
G	Turnover from April 2017 to June 2017	(-) Monthly									
H	Unbilled revenue at the end of Financial Year	(-) March									
I	Unadjusted Advances at the beginning of the Financial Year	(-) Yearly									
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				1	1	1	1	1	5
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-) Monthly							10		
L	Turnover for the period under composition scheme	(-) Monthly	0								
M	Adjustments in turnover under section 15 and rules	(+/-) Monthly					8	7			15
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-) Monthly					2				2
O	Adjustments in turnover due to reasons not listed above	(+/-) Monthly									
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply	Monthly	10								10
7C	Zero rated supplies without payment of tax	Monthly	5								5
7D	Supplies on which tax is to be paid by the recipient on reverse	Monthly					20				20
7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>	15	0	0	0	10	7	0	0	32

(Figures are Illustrative)

How to validate the details of Gross turnover as per the books of accounts?

Ideally the ledger accounts for outward tax liability in the books of accounts should be maintained GST rate-wise. It will minimize the chances of errors in classification due to over-sight in the books of accounts and shall ensure that data generated from the books of accounts is correct and consistent. The rate of tax should also be mapped with HSN to ensure that errors of HSN classification are also minimized.

Generally, in various accounting software and ERPs, the facility to generate the report of GST rate wise outward tax liability along with taxable value or transaction value is available. The same can be relied upon as a document. The total of the said report should be matched with the total turnover declared in the books of accounts. Further, the amount of tax should also be matched with total credits in the GST Liability register in the books of accounts.

In cases where no report of rate-wise GST liability along with taxable value can be

generated or where the liability ledger is not maintained rate-wise, the GST Auditor should use substantive audit tools to check if the details of various invoices issued by the Registered Persons have been consistently and accurately booked in the books of accounts. If after doing that the Auditor is satisfied that proper recording of transactions has taken place and the report duly prepared by the Registered Person for rate-wise amount of tax Liability and taxable amount is made available to him then he can rely on the same with a separate disclosure that rate wise tax liability has not been maintained in the books of accounts.

In cases where no rate-wise tax Liability and taxable value has been maintained in the books of accounts and the Registered Person is engaged in making outward supplies of goods or services or both of different rates and no substantive test can be applied for checking the accuracy of data entered in the books of accounts then the Auditor may consider to disclosing that due to lack of availability of rate-wise tax liability from the books of accounts, he is not in a position to punch details in the given table. In case any information for table is given by the Registered Person, then, subject to the disclosure made above, the whole amount of tax liability has been disclosed in a specific rate column as given by the Registered Person.

How to validate details of Deemed Supplies and Adjustments of Valuations

In case of deemed supplies under Schedule-I, there can be a situation that tax amount in relation to said deemed supplies becomes part of the tax Liability Register but might not be a part of the overall turnover of the Registered Person in the books of accounts. In such cases, if possible after tracking of such specific instances, the rate wise taxable value of the said transactions should be calculated either on the basis of Invoice issued under Section 31 of the CGST Act 2017 and respective SGST Acts 2017 or by the reverse method. (i.e., calculating the value of taxable supply from the rate of tax). The same shall be applicable where the adjustments of Section 15 or valuation Rules is made for tax purpose.

(b) In relation to Inward Supply

Since the value of inward supply liable for reverse charge needs to be taken from the books of accounts maintained by the Registered Person, details need to be extracted from specific ledger accounts and head of expenses which have been identified as supplies liable for RCM.

In case of supplies attracting reverse charge, the time of supply is decided at the earliest of following events:

- (a) The date of receipts of goods by the receiver
- (b) The date on which payment is entered in the books of accounts

- (c) The date on which payment is debited from the bank account
- (d) In case of goods, 31st day from the date of issue of invoice by the supplier
- (e) In case of services, 61st day from the date of issue of invoice by the supplier

Thus, before finding the rate wise taxable value of inward supply during the FY in which tax has been paid under RCM, the Auditor needs a confirmation from the Registered Person if liability of RCM has been booked in the books of accounts on the basis of methods listed above or not.

In cases where the liability has not been booked in accordance with the happening of the aforesaid events, then reliance can be placed on the proviso to Section 12(3) and 13(3) of the GST Acts 2017 and the date on which the entry of the given inward supplies is made in the books of accounts is made, the liability to pay RCM can be assumed to have arrived and thus the value of taxable supply along with the rate-wise tax liability will be decided accordingly.

If the impact is not material, in view of consistency, some experts opine that the amounts may be entered in Table 9. The Auditor could rely on reports or workings of the dates on which entries of inward supplies are made in the books of accounts liable for RCM. The bifurcation of the same GST rate-wise should be done accordingly.

Since no reconciliation of the value of taxable inward supply is being made with entries in the books of accounts, it is suggested that a separate working for the reconciliation of the same should be prepared and kept as part of working papers by the Auditor so as to deduce the rate-wise GST Liability under RCM.

The suggested logical steps which can be followed for reconciliation of the identified Expense account for the purpose of RCM can be as under:

Working Sheet for calculating Taxable Value of Inward Supply			
Nature of Expense			
GL Code			
S.No.	Particulars		Frequency
A	Gross Value of Inward Supply booked in books of accounts in a particular type of expense head during the FY on which Tax is payable under RCM		Monthly
B	Provision of expenses at the beginning of Financial Year for which Invoice is not raised by supplier in current year	(-)	Yearly
C	Unadjusted advances at the end of the Financial Year	(+)	Yearly
D	Deemed Supply under Schedule liable for RCM u/s 9(3)	(+)	Monthly
E	Expense booked from April 2017 to June 2017	(-)	Monthly
F	Provision of expenses made at the end of Financial Year	(-)	March
	Unadjusted Advances at the beginning of the Financial	(-)	Yearly
G	Adjustments in turnover under section 15 and rules thereunder	(+/-)	Monthly
H	Adjustments in expenses due to reasons not listed above	(+/-)	Monthly
I	Annual Adjusted Inward Supply after adjustments as above		<Auto>
J	(Less): Value of Exempted, Nil Rated, Inward Supply		Monthly
K	(Less): If benefit of Notification No 8/2017-CT was available		Cumulative daily Total
E	Value of Taxable Inward Supply Liable for RCM as per adjustments		(I)-(J)-(K)

Once the expense wise value of Inward Supply is identified then it should be bifurcated according to the rate of GST and then summation of each such expense rate wise can be entered in Table 9B, 9D, 9F, 9H as applicable.

(c) In relation to Interest Payable

Since in Table 9L, the amounts of interest ought to have been payable is required to be reported for the FY 2017-18, the value of taxable supply both of inward and outward as deduced monthly should be considered. It shall provide a clear picture of the tax required to be paid by the Registered Person on monthly basis in the GSTR 3B. The amount of interest on GST, if any, booked in the books of accounts during the year, whether actually paid or not, may be considered only for reference and cross checking.

(B) For Total Amount paid as declared in Annual Return (GSTR 9)

The details of the same are to be taken from GSTR 9 based on the tax paid shown in the GSTR 3B filed for the period of July 2017 to March 2018 and any additional tax paid thereon in the subsequent returns. The cross reference to the same can be checked from necessary debit entries in the Electronic Cash and Credit Ledger maintained on the GST Portal. No values in the given table should be entered from the books of accounts.

➤ **Contentious Issues with Illustrations**

Classification of Supply- Reporting under Table 9

In respect of tax Payable to be disclosed in Table 9 under Part III of GSTR 9C, an issue shall arise as to how the Auditor should deal with the classification and place of supply disputes. The classification issues which may warrant Auditor's observations and comments while punching data in Table 9 can be as under

1. HSN Disputes
2. GST rate disputes
3. Nature of Supply disputes- Inter State or Intra State
4. Place of Supply Disputes
5. Type of Supply Dispute- taxable, Exempt, Nil rated

Some Illustrations for the same with the possible course of action from the Auditor are:

- (a) The Registered Person has classified EPC Contract of Solar Power Plants as Supply of Goods classifiable under Chapter 85 and has reflected it under 5% GST rate. However, throughout the country in various advance ruling the EPC of Solar Power Plant has been treated as Supply of Works Contract Service leviable to GST at the rate of 18%. The Auditor is also of the view that it is a works contract service. What should the Auditor do?

Ans. In case the Registered Person agrees with the contention of the Auditor: The EPC of Solar Power Plant should be shown as Works Contract Service under 18% rate. It shall lead to non-reconciliation and disclosure of the Auditor recommendation for payment of additional tax.

In case the Registered Person does not agree with the contention of the Auditor, the rate of classification should be 5% under table 9 as understood by the management and the Auditor should put in a qualification in the main certificate under the opinion paragraph that according to him the rate of GST should be 18% and the classification should be works contract service.

- (b) The Registered Person has wrongly classified an inward supply of receipt of GTA Service on which tax is payable under RCM as exempt GTO Service under notification 12 /2017-CT (rate) dated 28.6.2017. The same has been identified by the Auditor. How should he report the same?

Ans. In case the Registered Person agrees that classification dispute is due to an error but does not agree to change the same in the books of accounts, the Auditor should always report the taxable value at the correct GST rate Tab and recommend additional payment of tax, if the same has been short paid.

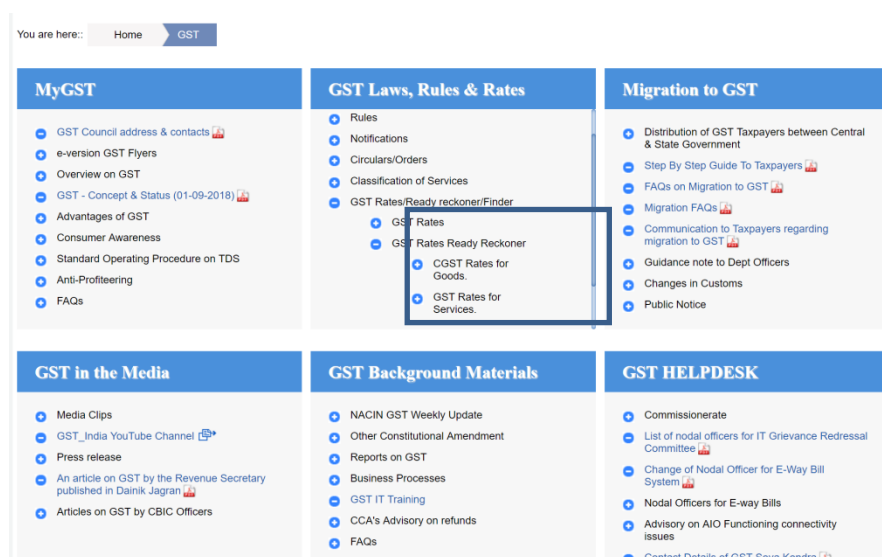
- (c) Due to the nature of the business of the Registered Person, types of supply, complexities of transactions and size of operations, the Auditor is unable to identify or comment upon each and every classification of outward and inward supplies. How should the Auditor punch data in Table 9.

Ans. The Auditor may in such case put in his comment in the main Certificate under opinion paragraph (4 or 5, as the case maybe) that the classification aspect has been considered as noticed during the course of audit and subject to the information and declaration or management representation as received by the Registered Person. It should be specified that all aspects of classification have not been considered.

➤ *Notes to consider*

The following are the controls checks that a person should perform for validation of the amounts reported under this head:

- o The turnover Ledgers, Tax Liability Ledgers and Expenses Ledgers should either be created GST rate wise or their masters should be mapped with a report which can generate rate-wise classification.
- o The reconciliation statement should be prepared monthly and in some cases yearly so that difference in the tax Payable and tax Paid can be drilled down to the Invoice Level. Only then can the interest be calculated correctly.
- o During the FY 2017-18 the rate of tax on the supply of goods and services has changed many times. To keep a track of the same, the updated consolidated rate notification is hosted on the CBIC Website under the Tab GST rates Ready Reckoner. The same tracks down the dates on which the changes were brought in various Sl.No.s of the rate Notification. The same should be referred to for identifying the tax rate changes and their effect given by the Registered Person in the books of accounts



- o Due to tax rate changes, the time of supply during the transition period also changes. Due care should be taken to ensure that tax liability has been discharged in accordance with Section 14 of the CGST Act 2017 and respective SGST Acts 2017. In this context it has to be ensured that if a Registered Person has collected GST at a higher rate but due to operation of Section 14, it was required to discharge tax at a lower rate, then, it should have either issued a Credit Note in the same month in which higher tax was collected or it should have actually deposited the higher tax collected and then have issued a Credit Note in the subsequent month and then adjusted the same.
- o The register of Debit Note and Credit Note should be checked to identify that the rate of tax on supply of its goods or services was changed during the FY 2017-18, the effect of tax change was duly recorded, and the benefit of lower tax was passed on to the receiver.

➤ **Additional Notes to Consider**

The details should be entered in the given Table with the following riders or disclosures

- (a) The issues that may arise on account of classification have not been dealt with in detail and only those as noticed during the course of audit have been duly considered and reported.
- (b) In case the rate-wise details of Outward and Inward Supply have not been maintained, and reliance cannot be placed on internal control of organisation in relation to recording of transactions, then the Auditor should give a disclaimer that information entered in Table 9 has been provided by the management which has not been disclosed separately and rate-wise in the books of accounts.
- (c) For the identification of tax Liability on RCM, in case the Time of Supply for the same

has been followed in accordance with the proviso to Section 12(3) or 13(3) of the CGST Act 2017 and respective SGST Acts 2017, then it should be reported that it was not possible to identify Time of Supply in accordance with normal sub-SI.No.s of Section 12 and 13.

➤ **Conclusion**

Once all the details are entered, and the difference in tax payable as per the books with actual tax payable is identified, the amounts of non-reconciliation shall be raised as per CGST, SGSTM IGST and Cess wise. On these amounts the Auditor shall be required to disclose the reasons in Table 10.

Sl. No.10: Reasons for un-reconciled payment of amount

10	Reasons for un-reconciled payment of amount	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.

Scope

The given table mandates the Auditor to identify and the disclose the reasons for un-reconciled payment of amount of tax, Interest, Penalty, Cess and Others. Reasons, amounts along with description of reason needs to be disclosed.

➤ **Source of Information**

The Auditor needs to identify the reasons due to which some amount is reflected in Table 9R. The various reasons can be as under

(A) GSTR 3B shows less/more tax paid

- GSTR 1 matches with the audited financials with regard to the tax payable
- GSTR 3B shows the tax paid differently from the books of accounts.

In this situation, even though Table 6 and 8 may not show any differences as given in point (i) above, Table 10 would show a difference of the amount of tax to be paid and tax actually paid. So, any tax payable occurring due to this would automatically form part of Table 11 and the Auditor's recommendations in Part V.

In case any excess tax has been paid, there will be no reporting in Table 11. There is also no provision of negative reporting in Table 11.

(B) GSTR 1 and GSTR 3B inter se matching but not with the Audited Financials

- GSTR 3B and GSTR 1 match with each other
- Matched GSTR 1 and GSTR 3B are different with regard to the audited financial statements.

Such differences would be depicted in Table 6, 8 and 10. If the turnover is lesser than what it is in the audited financials, they could indicate a short payment of tax, if differences thereof are not explained. The cause of the differences needs to be clearly identified. Taking the values after considering the audited financial statements Table 10 will be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference would be shown in Table 10.

(C) Taxable turnover as per the books matching in GSTR 1 and GSTR 3B but tax is not matching.

- The value of taxable supply in Form GSTR 3B matches with that in GSTR 1
- Tax payable as self-assessed in GSTR 3B is different from what is shown in GSTR 1.

The possible reason for the same can be because of the difference in the classification of supply in GSTR 1 and GSTR 3B. The reporting shall be required in Table 10 only in such cases where an error has occurred in Form GSTR 3B due to reasons of classification like the following

- HSN Disputes
- GST rate disputes
- Inter State vs Intra State Supply
- Place of Supply
- Type of Supply Dispute- taxable, Exempt, Nil rated

As the amount of tax in Table 9P shall be calculated on the basis of turnover reported and shall be treated as correct. Any deviation from the same shall be disclosed in Table 10.

➤ **Illustration**

In the case of a Registered Person, after filing of GSTR 9 and filing Table 9 of GSTR 9C, the following situation arises

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			
		Central tax	State tax / UT tax	Integrated Tax	Total
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

Suggested format in which the Reasons for reconciliation should be recorded as given in Table 10:

➤ **Conclusion**

It has to be ensured that for the whole amount of non-reconciliation reported in Table 9, the reason wise quantification of the same is done in Table 10.

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 tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					

Table No.	Instructions
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

➤ **Scope**

In the Table 11 under Part III of the GSTR 9C, the amount of tax, interest, penalty, late fees and other dues which are payable in accordance with the non-reconciliation reported under Table 6, 8 and 10 but not actually paid as declared in Annual Return in GSTR 9 are to be reported with rate-wise bifurcation.

➤ **Source of Information**

A) For Additional tax Payable

After due verification and analysis of the amounts along with reasons reported in Table 6, 8 and 10 in the GSTR 9C pertaining to non-reconciliation of Annual Gross turnover,

taxable turnover and tax payable, the details of taxable value needs to be identified GST rate-wise which should be reported in Table 11 on which appropriate tax has not been paid as declared in the Annual Return i.e. Form GSTR 9.

There may be several reasons due to which amounts may be reported in Table 6 and 8.

However, in the case of amounts reported in Table 6, reasons for non-reconciliation may be due to difference in timing or due to a permanent difference in turnover as per the books of accounts and the GST Returns. However, every non-reconciliation might not lead to a situation where there is a requirement to pay GST on the said difference.

Some examples where non-reconciliation is reported in Table 6 in Form GSTR 9C but shall not require any additional tax payment are illustrated as under:

- Difference in turnover where the time of Supply is postponed but revenue is recognized in books of accounts (Supply between Developer and Landlord in light of Notification No 04/2018-CT rate)
- Difference in the value of Export turnover reported in the books of accounts on the basis of Invoice value shown in the Shipping Bill whereas turnover reported in GSTR 1 on the basis of Invoice prepared in INR on the basis of Exchange rate applicable on the date of preparation of Invoice.
- Difference in turnover of Services due to tax paid on advances and shown in GSTR 1 but not required to be disclosed as turnover in the Audited Financial Statements.
- Difference in turnover due to disclosure of Profit / Loss on Sale of Fixed Assets in the Audited Financial Statements and disclosure of whole sale proceeds in GST Returns.

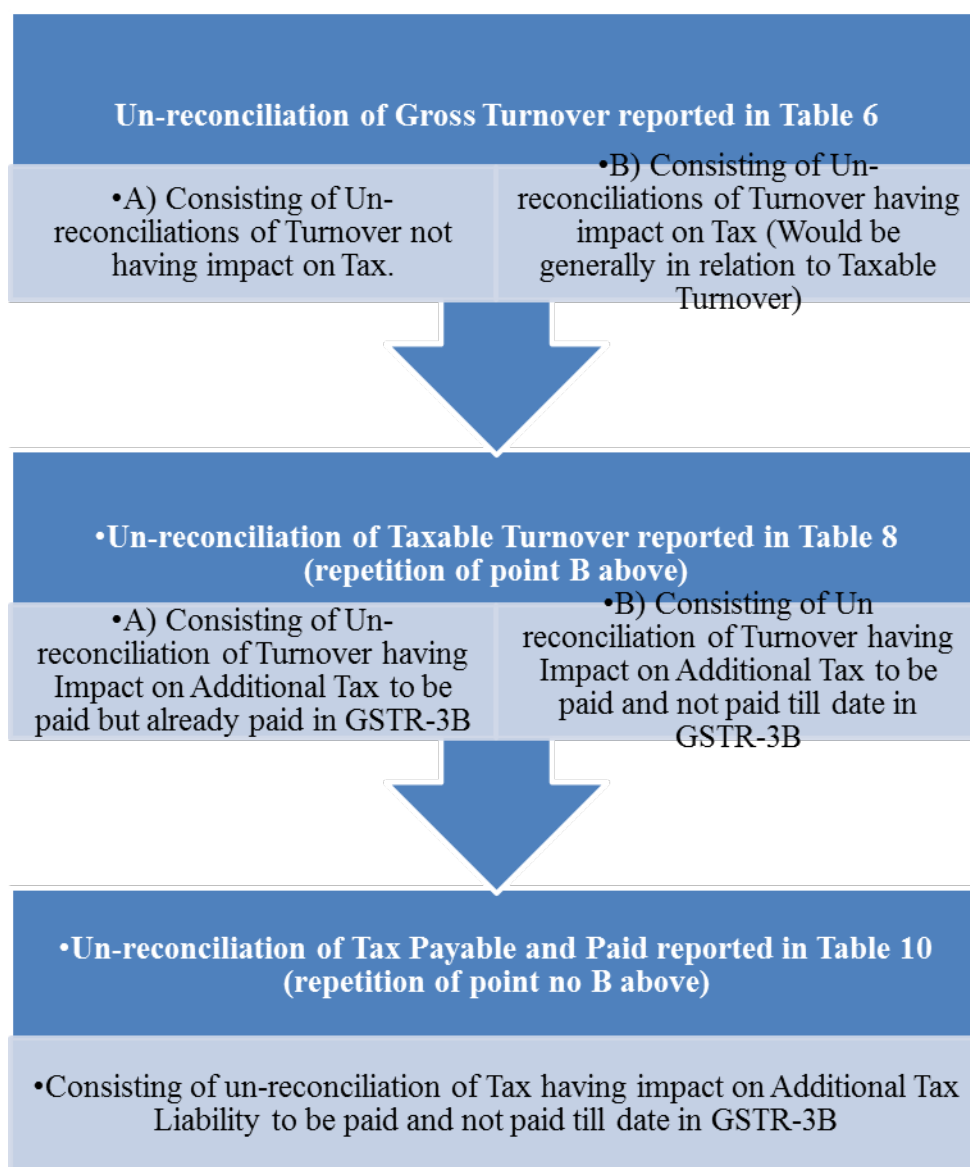
In the given cases, no reporting is required to be done in Table 11.

Further, in other types of non-reconciliations reported in Table 6, there can be an impact on the tax Liability to be paid. The instances for the same shall principally cover such cases where there is difference in taxable turnover in GST Returns and the Adjusted Total turnover. These set of differences which shall have impact on tax Liability shall actually be a part of Table 8 again.

However, out of such non-reconciliation filtered out and reported in Table 8, a further filter of non-reconciliation shall be reported in Table 10 regarding tax Liability which should have been paid on un-reconciled turnover reported in Table 8, but the same was not paid as declared in GSTR 9, i.e. the Annual Return.

Since Table 11 requires the disclosure of Additional tax Liability payable and not paid on non-reconciliations, it is evident that such details shall be reported in Table 10 also.

Thus, it should be understood that flow of non-reconciliations to be reported in Table 6, 8 and 10 shall be as under



Common Error with Illustration

The illustration shown above is used here again for reference

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			
		Central tax	State tax / UT tax	Integrated Tax	Total
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

In the given case, though the total amount of non-reconciliation is in the negative, there are instances where for a unique reason the tax Liability is either payable or has been paid in excess. It is suggested that under Table 11, the reasons due to which the tax Liability should have been additionally paid but was not paid should be disclosed rate-wise.

Legally, in the given case, the Registered Person is required to pay additional tax of Rs. 7 (Rs 2.5 as CGST, Rs. 2.5 as SGST and Rs. 2 as IGST). Further, he is entitled to claim refund of Rs. 7 additionally paid in case the same has not been subsequently adjusted in GSTR 3B filed after September 2018, on the basis of the Circular issued by CBIC in December 2017.

B) For Interest, Penalty and Late Fees Payable

The method suggested for calculating Interest, Late Fees and Penalty shall be employed to find the Gross amounts and difference of amounts not reported in GSTR 9 shall be required to be disclosed in the given Table.

➤ **Conclusion**

Thus, the amounts mentioned in the Table 10 above, should only be reported in Table 11. The method of calculating the data for the same has been dealt in detail above (in Table 10).

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)		
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
D	ITC availed as per audited financial statements or books of account		<Auto>
E	ITC claimed in Annual Return (GSTR9)		
F	Un-reconciled ITC		ITC 1

Sl. No. 12 – Reconciliation of Net ITC

12A. 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)

Pt. IV	Reconciliation of Input Tax Credit (ITC)		
12	Reconciliation of Net Input Tax Credit (ITC)		
12A	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)		

Table No.	Instructions
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that

	reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
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Introduction

Clause 12A of GSTR 9C is the detail of ITC availed in the audited financial statements. The row aims to collect information on the ITC availed in the books of accounts by the Registered person. This shall be the total ITC including the one availed in the books of accounts on Inputs, Input Services and Capital Goods.

Analysis

➤ *Source of information*

Right in the beginning, information of all the tax account codes / ledger names should be obtained from the Registered person in which he enters the ITC availed. ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence in multiple States. Such persons / entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to the audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence in multiple States. Further, it is important to understand from the Registered person whether he has maintained separate ledgers for availing ITC for different States or a common one.

In case there are separate ledgers, the amounts are directly relatable to the GSTIN. The information shall be collated from the net of debit and credits (other than payments) of such account codes / ledger names in the accounting software. However, in case he maintains a single accounting ledger for all the states, it will be a challenge for the Auditor to certify the amount of ITC availed and thus a suitable assurance in the form of corroborative evidence should be taken by the Auditor.

➤ *Validation of information*

The total of these columns should be reconciled with the balance of such accounts as they appear in trial balance of the particular GSTIN.

➤ *Revision required*

The column is derived from the books of accounts and thus there is no need to revise the same.

Illustration:

M/s ABC Limited maintains in his books of account Madhya Pradesh GSTIN, three accounts

for availment of ITC - CGST receivable, SGST receivable and IGST receivable, the amount for this column can be taken from such ledgers.

Notes to consider

The Auditor might find it difficult to report the details in case where the Registered person maintains a single account for all the tax payable and ITC receivable. Thus, there is no clear balance for either. In such cases, a detailed examination of such an account is required and a reconciliation of the entire account prepared in the following manner:

S.No.	Particular	Dr.	Cr.
1.	Opening Balance		X X X X
2.	tax Payable		X X X X
2A.	tax Payable reversed (credit notes)	X X X X	
3.	ITC availed	X X X X	
4.	ITC reversed	X X X X	
5.	ITC reclaimed		X X X X
6.	tax paid by Cash Ledger	X X X X	
7.	Closing Balance		X X X X

Conclusion

Therefore, 12A of GSTR 9C shall provide the amount of input tax credit availed during the year by the Registered person as per his financial statement as being audited.

12B. ITC booked in earlier Financial Years claimed in current Financial Year

12B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
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Table No.	Instructions
12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.

Introduction

Any ITC which was booked in the audited Annual Financial Statement of the earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed shall be declared here. Since this is the first year of the GST, this column should

ideally be zero. However, as per the instruction related to the form, transitional credit which was booked in earlier years but availed during Financial Year 2017-18, the same would not be required to be reported here. This would leave the Registered person with ITC which are carry forward balances of the earlier taxes.

However, from next year onwards, this column would have the same amount as is reported in column 12C of Form 9C of the previous financial year. Hopefully, the same should be auto populated by the system. There can be a scenario also where an Input tax credit which related to FY 2017-18 was not booked in the books in FY 2017-18 inadvertently and was also not claimed in GSTR 3B of FY 2017-18. However, during reconciliation of returns during FY 2018-19 the claim was taken in both the books of accounts as well as GSTR 3B filed during FY 2018-19, such cases would not be reported in this column.

Analysis

➤ *Source of information*

The details shall be drawn from the claims of TRAN I which were booked in the earlier periods and not availed during the year.

E.g. Closing balance of Cenvat Credit in Excise

From FY 2018-19 and onwards, this column would have the same amount as reported in column 12C of Form 9C of the previous financial year. Hopefully, the same should be auto populated by the system.

➤ *Validation of information*

1. Closing Balance of Credits appearing in the GST Returns
2. Details filed in TRAN 1
3. Transfer entries for carry over of pre-GST credits into GST Credit Ledgers

Illustration

Illustration: The Input tax credit in TRAN I includes the following:

- (a) Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000
- (b) Input tax credit on opening stock availed in TRAN I: 4,00,000

Ans. The reporting which shall be made in this column is as under:

- Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000
- TRAN 1 Credit on stock not recorded in books and hence would not form part of this table but the credit would be required to be disclosed at 12A.

Notes to consider

- One should be cautious of not adding all transitional amounts as filed in TRAN 1 in this table.
- TRAN 1 may include certain transactions impacting output tax which are also not required to be considered here.

Conclusion

Therefore, 12B of GSTR 9 contains credits availed in the previous year in books of accounts but is availed in GST in the current year. The addition would increase the amount so as to reach the Input tax credit as availed in GSTR 3B during the year.

12C. ITC booked in current Financial Year to be claimed in subsequent Financial Years

12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
-----	--	-----	--

Table No.	Instructions
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.

Introduction

Clause 12C of GSTR 9C is the Input tax Credit which is booked in the current financial year but claimed in the returns of GSTR 3B filed during FY 2018-19. This includes all credits which were for any reason (inadvertent or conditions not being fulfilled) were not taken in returns as filed from July 2017- March 2018.

Analysis➤ *Source of information*

All amounts which are debited in the books of accounts but not claimed as Credit should be reported here. The Auditor must run a check to arrive at Input tax Credits which appear in the GST receivable ledgers but do not find place in the Input tax register providing amounts as reported in GSTR 3B of FY 2017-18. The difference of such unclaimed balance shall be reported here.

➤ *Validation of information*

Value in this Sl.No. should be equal to the amount reported in Clause 13 of GSTR 9. However, amount of Credits relating to FY 2017-18 which are booked in FY 2018-19 only in the books of accounts shall be subtracted from such reported amount in Clause 13 of GSTR 9.

Illustration

Illustration: The Input tax credit as booked in the GST receivable ledger for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs claimed in GSTR 3B of August 2017: Rs. 3,00,000
- (b) Input tax credit on purchase of inputs claimed in GSTR 3B of December 2017: Rs. 150,000
- (c) Input tax credit on purchase of inputs claimed in GSTR 3B of May 2018: Rs. 2,00,000

Ans. The reporting of the following transactions shall be made in this column:

- Input tax credit on purchase of inputs claimed in GSTR 3B of May 2018: Rs. 2,00,000

Notes to consider

- Unreconciled transactions appearing in GSTR 2A should not be directly disclosed here. The amounts appearing in GSTR 2A could be for various reasons including vendor uploading transactions with the wrong GSTIN. This credit cannot be availed by the recipient since the purchase does not belong to him though it appears in his GSTR 2A.

Conclusion

Column 12C depicts the total Input tax credit which is not availed during the current financial year in the returns but is duly booked in the books of accounts. The amount depicts the eligible claim of Input tax Credit which the Registered person failed to take in GSTR 3B of the year under audit.

12E. ITC claimed in Annual Return (GSTR 9)

12E	ITC claimed in Annual Return (GSTR9)	
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Table No.	Instructions
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.

Introduction

Clause 12E of GSTR 9C Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR 9) shall be declared here.

Analysis

- *Source of information*

This should be auto populated from Table 7J of GSTR 9.

12F and 13. Unreconciled ITC

12F	Un-reconciled ITC	ITC 1
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Introduction

Clause 12F of GSTR 9C provides for the difference between the ITC as computed from the books of account in Clause 12D and ITC as claimed for the financial year in Clause 7J of Annual return. Reasons for such difference shall be explained in point 13 of GSTR 9C.

13	Reasons for un-reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table 12E) availed in the Annual Return (GSTR9) shall be specified here.

Analysis

➤ Source of information

While 12F is the differential value and has no source. Clause 13 seeks reasons from the books of accounts and claims in GSTR 9 for the difference. In case the difference is positive, possible reasons of difference should primarily include:

- the amount of ITC for the financial year claimed in point 13 of the Annual return form which is the amount of ITC claimed in returns of the subsequent year for the financial year.
- the amount of ITC available but not availed which can be divided in two further categories:
 - o Ineligible ITC not availed in the return
 - o ITC which has lapsed as not availed

In case the difference is negative, the matter is of concern as it is a clear indication of more than available ITC claimed. This could be on account of the following reasons:

- ITC of another GSTIN claimed in returns of GSTIN under audit
- IGST on imported goods used as FOC replacement warranty (customs duty + IGST paid by Exporter of original equipment.

- Duplicate ITC availed
- ITC of subsequent year where goods / services were received later but their invoice was received prior was availed.

➤ *Validation of information*

This table does not have a parallel validation.

Conclusion

Therefore, 13 of GSTR 9C looks out for the reason of difference between ITC claimed in the books of accounts and the annual return. This should keep a check on unwarranted ITC being availed by the Registered person.

14. Reconciliation of ITC declared in Annual Return (GSTR 9) with ITC availed on expenses as per audited Annual Financial Statement or books of account

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	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods (Including received from SEZs)			
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.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			

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.
14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table.

Introduction

This table is for reconciliation of ITC declared in the Annual Return (GSTR 9) against the expenses booked in the audited Annual Financial Statement or books of account. This point calls for examination of ITC detailed by the Auditor to determine the available ITC as booked in ledgers of various expenses and in the books of accounts viz a viz the ITC availed by the Registered person. In case the Auditor finds any ineligible or unavailable ITC as per the books of accounts, suitable disclosures are to be made in this regard.

Analysis

➤ Source of information

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. The

balances shall be available only on the detailed examination of such ledgers. The nomenclature of the ledgers may be different as per the books of accounts of the Registered person. 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.

Net ITC availed as declared in the Annual Return (GSTR 9) shall be declared in Clause 14S. Table 7J of the Annual Return (GSTR 9) may be used for filing this Table.

➤ Validation of information

This is another way of representing the detail of Clause 12 and 13 of the same form. In Clause 14, instead of examining the ITC on a global level, the point requires the Registered Person to provide expense ledger wise details of ITC claimed. This is a further examination on part of the Auditor. The total of this Clause in column 3 of Clause 14 should be equal to 12A of Form 9C.

The Column 4 uses two words 'eligible' and 'availed'. Thus, it seems that the Auditor has to include ITC which has been availed and the eligible one out of these. Thus, the government would get to know the ineligible amounts availed by the ITC.

Illustration

Illustration: The Input tax credit as booked in purchase account is as follows:

- (a) ITC on purchase of raw material: Rs. 1,50,000 (Purchase value: 20,00,000)
- (b) ITC on purchase of consumable: Rs. 60,000 (Purchase value: 4,00,000)
- (c) ITC on purchase of food items for staff: Rs. 12,000 (Purchase value: 120,000)
- (d) ITC availed by the registered person from the Purchase account: Rs. 222,000

Ans. The reporting of the following transactions shall be made in this column:

- value of Purchases: 25,20,000
- Amount of Total ITC: 222,000
- Amount of eligible ITC availed: Rs. 210,000

Notes to consider

The Auditor has to undertake the detailed examination of all expense in the asset ledger to ensure that the above values are correctly filed by the Registered person. It is possible that in the absence of a detailed examination of each expense, such reporting of eligible ITC may not be reported correctly by the Auditor.

Conclusion

This point requires detailed examination of the books of accounts to establish that Registered person has taken only eligible ITC. Though looking into every tax invoice may not be possible for the Auditor, he has to use auditing methodologies to locate the eligible ITC. This requires a sound accounting system so that this exercise can be completed in given time frames. The eligible ITC shall then be compared with the ITC availed in GSTR 9 and differences thereof have to be explained by the Registered person.

15. Reasons for un-reconciled difference in ITC

15	Reasons for un - reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.

Introduction

Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.

Analysis

➤ Source of information

This column is auto populated as it is a calculation of difference between Table 14R and 14S. This is the differential amount between the eligible availed ITC and the availed ITC. Difference can arise on any of the following counts:

- Ineligible ITC availed by the Registered person
- ITC booked in the books of accounts but not availed including ineligible ITC not availed (lapsed)

In case of a negative amount, such difference can arise on account of ITC booked in the books of accounts but availed in return GSTR 3B of the subsequent year. This can be correlated with point 13 of GSTR 9.

➤ Validation of information

This column cannot be validated separately. The reason for such differences has to be explained.

Conclusion

This point would bring the reasons for all differences in ITC availed and eligible ITC as per the books of accounts.

16. Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)

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

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

Introduction

Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here

Analysis

This column captures tax which is to be paid on account of differences identified in Table 13 and 15 above. Taxes paid in this Table should ideally be equal to the total of the differences of the Two tables (when positive). It is important to note that the Table also demand computation of interest and penalty on such ITC differential.

Part V to GSTR 9C

Auditor's Recommendation on additional liability due to non-reconciliation

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			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					
	Any other amount paid for supplies not included in Annual Return					

Instructions
- Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table. - Towards, the end of the reconciliation statement taxpayers shall be given an option to pay their taxes as recommended by the auditor.

I. Introduction

- This part of Form 9C is the outcome of the independent review by an Auditor. The term Audit has been defined in the CGST Act as under:

13) "audit" means the examination of records, returns and other documents maintained or furnished by the Registered Person under this Act or the rules made thereunder or under any other law for the time being in force to verify 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 the rules made thereunder;

2. The analysis of the definition of the word “Audit” helps us understand the implications of the “Audit” of a Registered Person under the CGST Act and the Rules framed thereunder:
 - ✓ It is a systematic examination of records, returns and other documents;
 - ✓ Maintained or furnished by the Registered Person;
 - ✓ With a view to verifying the correctness of the turnover declared, taxes paid, refund claimed, and input tax credit availed, and also to assess his compliance.
3. The examination of records, returns and other documents maintained or furnished by the Registered Person could lead to several issues, some of which are listed below:
 - (a) The turnovers declared in the return filed in GSTR 3B could be at variance with the books, financials or turnovers now arrived;
 - (b) There could be a shortfall in taxes paid on account of incorrect availment of input taxes (viz., input tax credits may have been availed in respect of inward supplies on which tax credits are not allowed); Shortfall in output taxes may arise on account of incorrect outward supplies declared; incorrect accounting of debit / credit notes and such other reasons;
 - (c) Input taxes availed could be incorrect viz., on account of non-reversal of payments effected to suppliers within a period of 180 days; credit may have been availed without receipt of goods or services etc.,
 - (d) It is these issues among others that require the conduct of an audit.
4. An important issue to be borne in mind is that any additional liability recommended by the Auditor is required to be discharged through cash. This fact can be borne out from the very heading to Part V of the relevant GSTR 9C.

II. Some issues

- (a) Is the additional liability determined by the Auditor binding on the Registered person?
 - ✓ At the outset, it can be inferred from the heading to Part V of GSTR 9C that the Auditor has only a recommendatory power, for recommendations given by the Auditor may or may not be acceptable to the Registered Person. If it is acceptable, there are no further questions. But if it is not acceptable, then the question that arises is how can the Auditor resolve the issue.
 - ✓ At this juncture, the Auditor needs to exercise his professional diligence, skill, legal knowledge and care in determining any additional tax liability which is payable by the Registered Person. The Registered Person has the option to

accept, reject or partially accept the recommended additional tax liability. In line with such recommendations, though not explicitly stated anywhere in the relevant Form or GST laws –

- (i) the Registered Person can choose to make the payment of the additional tax liability in full or in part;
- (ii) the Registered Person can even choose to reject the complete recommendations of the Auditor and not make the payment at all.

- ✓ Before an Auditor ventures into recommending any additional tax liability due care, caution and diligence must be exercised. For instance, in respect of commodity classification based on HSN if an Auditor believes that there are two possibilities then he may choose to place reliance on an expert opinion. In such a situation, a proper disclosure may suffice.
- ✓ However, when looked at from the perspective of the government, the recommendation shall form the foundation for an effective show cause notice and enquiry into the affairs of the Registered Person.

(b) Scope of the Auditor's review for recommendation

- ✓ On a perusal of the heading to Part V of GSTR 9C, it appears that the responsibility of the Auditor is restricted to report only the additional liability which may arise on account of non-reconciliation matters only. An Auditor may take the view that he is not required to step into the shoes of an investigator to mine any undisclosed supplies which are neither reported in the annual return nor in the financial statements. But at this point in time the instruction provided to fill in the relevant GSTR 9C plays an important role.
- ✓ Para 7 of the instructions provided to the relevant GSTR 9C makes it clear that apart from recommending any additional tax liability that may arise on account of reconciliations matters, an Auditor is also required recommend:
 - o cases relating to supplies that are not reported in the annual return;
 - o refunds erroneously taken;
 - o any outstanding demands that may be settled by the Registered Person.
- ✓ Performing this reconciliation accurately and analysing reasons for the differences falls within the domain of the Auditor's responsibility. Making disclosures in respect of the differences which are accurate, exhaustive and understandable form an intrinsic part of his duty.

(c) Reasons for additional tax liability

- ✓ Non-reconciliation between the books of accounts and the annual return can

either occur (among other reasons) in respect of the turnover, tax paid or availment of the input tax credit. Any additional tax liability that may arise due to non-reconciliation between the turnovers or the tax payable on such turnovers would be reported in Table 11 of GSTR 9C. Further, any additional tax liability arising due to non-reconciliation of the input tax credit are to be disclosed in Table 16 of GSTR 9C. The amount reported in these two tables would be summarized and reported in Part V of the GSTR 9C.

- ✓ Additional tax liability may arise on account of any other amount paid for supplies not included in the annual return, erroneous refund to be paid back, outstanding demands to be settled, etc., (if any).
- ✓ To sum up, some of the issues that are to be reported as part of the Auditor's recommendations on additional liability due to non-reconciliation etc., may arise on account of the following issues:

(a) Additional tax liability due to non-reconciliation of turnover or tax liability (including reverse charge) between the audited financial statements and annual returns (as per Table 11 of GSTR 9C)

This additional tax amount to be paid but not paid due to non-reconciliation is reported in Table 11 of GSTR 9C. For instance, this may occur due to the following reasons, among others:

- (i) Non-Reconciliation of the turnover and taxable turnover between the audited financial statements and the annual return (as per Table 6 and 8 of GSTR 9C) – This situation arises because the audited financial statements and GSTR 1 may not match. This is because the turnovers of outward supply in the annual return is advised to be borrowed from GSTR 1 within the instructions of the annual return.
- (ii) Non-Reconciliation of the tax paid (both under forward and reverse charge) between the audited financial statements and the annual return (as per Table 10 of GSTR 9C): This situation arises on account of the fact that the audited financial statements and GSTR 3B may not reconcile. This is because the actual tax paid is only given in GSTR 3B which is used as the basis for reflecting the amount of tax paid in the annual return. Further, the mismatch can arise on account of difference of tax rate as applied by the Registered person and such rates as are determined by the Auditor to be applicable on outward supply turnovers.
- (iii) Situations containing non-reconciliation between GSTR 3B, GSTR 1 and audited financial statements

In an ideal scenario, the differential tax payable on account of reconciliation should be Nil. However, various situations can cause the differences in Table 6, 8 and 10. It needs

to be analysed which of these differences are required to be reported as part of the Auditor's recommendations. These situations are given below:

- **Situation 1: GSTR 1 matches with the audited financials but differs with GSTR 3B**

It is possible that GSTR 1 matches with the audited financials as regards the tax payable, but the turnovers reflected in GSTR 3B may differ when compared to the books of accounts as regards the tax paid. In this situation, even though Table 6 and 8 may not reflect any differences as given in point (i) above, Table 10 would reflect a difference of the amount of tax to be paid and tax actually paid. Therefore, any tax payable occurring due to this reconciliation issue would automatically form part of Table 11 and thereby Auditor's recommendations in Part V would have to be made. The Auditor would do so only after taking a judgement call that the amounts reported in GSTR 1 and the audited financial statements were correct and that the reporting in GSTR 3B was incorrect.

- **Situation 2: GSTR 3B matches with the audited financial statements but differs with GSTR 1**

There can also arise a situation that the turnover and tax payable in GSTR 3B matches with the audited financial statements but there is a difference between GSTR 1 and the audited financial statements with regard to the same. In this case, the differences would most clearly be evident from Table 6 and 8 which effectively compares the turnover between GSTR 1 and the audited financial statements. This difference would be reported as part of Table 10 which derives the tax payable from Table 6 and 8 which effectively takes into account GSTR 1. Therefore, this should form part of the additional amount of tax payable and the Auditor's recommendations. The Auditor would do so only after taking a judgement call that the amounts reported in GSTR 3B were incorrect as compared to that reported in GSTR 1 was correct. Of course, if the reverse is true, then even though there is a difference between the two, the Auditor's recommendation in Part V of the GSTR 9C would not contain the said amount as the additional tax liability.

- **Situation 3: GSTR 1 and GSTR 3B inter se matching but not with the Audited Financials**

There can be a situation that the GSTR 3B and GSTR 1 match with each other but there is a difference when they are compared to the audited financial statements. Such differences would figure in all the Tables 6, 8 and 10 as such turnover if lower than the audited financials, will result in short payment of tax (if differences thereof are not explained). The cause of the differences needs to be clearly identified and understood. Table 10 while taking the values after considering the audited financial statements would be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference

would be shown in Table 10. Therefore, this should form part of additional amount of tax payable as per the Auditor's recommendations in Part V of the GSTR 9C.

(iv) Separate calculation for tax under both forward and reverse charge

It must be noted that in this context, the reconciliation would be made with regard to the following:

- (a) Total turnover and taxable turnover
- (b) Output tax liability
- (c) Liability under reverse charge

The amount paid as output tax liability computed for both point (a) and (b) cited supra and tax under reverse charge as per point (c) are required to be disclosed and reconciled separately between GSTR 3B and the audited financial statements in Table 9. Any additional amount that is liable to be paid on account of the fact that such amounts would be disclosed together in Table 11 and Auditor's recommendations in Part V of the GSTR 9C.

(v) Rate wise break up

Any additional tax liability that occurs either under forward charge or reverse charge needs to be shown on rate-wise basis. In fact, the tax payable in Table 9 which is the source of the reconciliation also demands that tax payable be disclosed on a rate-wise basis. This rate-wise breakup of additional tax payable would be shown in Table 11 and the Auditor's recommendation in Part V of the GSTR 9C.

(b) *Additional tax liability because of non-reconciliation of input tax credit between the audited financial statements and annual returns (as per Table 16 of GSTR 9C)*

The additional tax amount to be paid due to non-reconciliation is reported in Table 16 of GSTR 9C. The non-reconciliation difference in this table can occur due to the following reasons:

- (i) Non-reconciliation of the credits which are booked in one financial year and claimed in the subsequent financial year with regard to the audited financial statements and the annual return (as per Table 13 of GSTR 9C);
- (ii) Non-reconciliation of the credits between the head-wise expenses reported in the audited financial statements and that in the annual return (as per Table 15 of GSTR 9C)

It can be noted here that the amount reported in the annual return is only a summation of the amounts reported in the GSTR 3B.

Difference of input tax credit in GSTR 3B and the Books of accounts

There can be a situation where the GSTR 3B does not match with the audited financial statements or books of Accounts with regard to the input tax credit. Such differences can be depicted under Table 13 and 15. The cause of such differences need to be clearly identified. These tables while taking the values after considering the audited financial statements would be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference would be shown in both 13 and 15. If the input tax credit claimed is higher in GSTR 3B than the books of accounts, then there may be an additional liability of making the payment of extra credit availed. Then, this should form part of the additional amount of tax payable as per Table 16 of GSTR 9C and the Auditor's recommendations in Part V of the GSTR 9C. The Auditor would do so only after taking a judgement that the amounts reported in GSTR 3B are incorrect and that the amounts reported in the financial statements are correct. Of course, if the reverse is true, then even though there is a difference between the two, the Auditor's recommendation would not show the said amount as additional tax liability.

No rate-wise breakup

No rate-wise breakup is required in Table 16 with regard to the additional tax payable due to the non-reconciliation of the input tax credit as per Table 13 and 15.

(c) Any other amount to be paid for supplies not included in the annual return

There can arise situations wherein certain other supplies can result in the payment of additional tax liability even though they were not flagged as reconciliation differences as discussed supra. These pertain to supplies which are not disclosed in the annual return and which may not have been the part of turnover as per the audited financial statements. For instance:

1. If supplies which are part of Schedule I i.e. supplies without consideration are not disclosed in the annual return, then they may not create any reconciliation differences as they are not reflected in the financial statements.
2. As regards receipt of taxable advances which form part of the Balance Sheet of a Registered Person but are not a part of his turnover. If a Registered Person is liable to pay taxes on the advances received during the year does not disclose the same in his monthly return and thereby his annual return, then he can fall within this reporting Sl.No.. This is because the advances not disclosed would neither be part of the turnover which is the starting point of the reconciliation nor the supplies as disclosed in the annual return. Therefore, they would not cause a reconciliation difference.

The above illustrative cases would not have been reported in the point Books or in Returns and would not cause any reconciliation differences. However, paying taxes on these supplies is mandatory even though they have been missed out in the annual return. Thereby, they would be reported as supplies not included in the annual return. Any interest and penalty which may have to be paid on them would also be disclosed separately. Therefore, all such supplies which are not part of the turnover of the Registered Person as per the audited financial statements and are missed out in the annual return will be reported here.

(d) *Erroneous refund to be paid back*

Any refund that has been obtained but ideally it should not have been obtained is reported here. It may arise due to refund of the electronic credit ledger or of the cash ledger. This erroneous refund could have been obtained because of some situation, which are:

- (a) The department had paid the Registered Person provisional refund of 90% based on the prima facie scrutiny of the application for refund in case of zero-rated supply or inverted duty structure. But upon complete scrutiny of the application, a defect may be noticed in the given application which may have led to the rejection of the refund. In this case, the refund already granted provisionally is liable to be refunded back to the Department if it is not already raised as an outstanding demand to be settled as discussed in point (e) below.
- (b) A Registered Person may happen to avail input tax credit in a particular month which is liable to be reversed at the end of the year in terms of Rule 42 and Rule 43 upon making the complete true-up calculation. It may also be possible that the input credit was blocked on any inward supply on which the input tax credit was taken by the Registered Person. In this situation, if the Registered Person had obtained complete refund of the input tax credit taken earlier, then he is liable to refund the amount to the extent the input tax credit was not admissible to him.

The above are only illustrative situations wherein a Registered Person is required to pay the amount which was erroneously refunded to him. In these cases, if the Registered Person is liable to pay any interest or penalty on the same, then the said amount would also be required to be shown as part of the Auditor's recommendations in Part V of the GSTR 9C.

(e) *Outstanding demands to be settled*

Any amount which is liable to be paid to the government which had been raised as a demand is required to be disclosed. Any adjudication order passed against the Registered person which had not been appealed against and which entails payment of tax liability by the Registered Person is to be reported here. Further, any appellate order

passed which requires the Registered Person to make payment of tax liability would also be disclosed here. However, any order passed which entails requirement of payment of taxes, but which forms a subject matter of appeal before any higher authority cannot be considered as an outstanding demand. These would not be reported as part of additional tax liability.

(f) Interest, Penalty and Late fees

Interest

Interest is not automatically calculated for the purpose of payment in GSTR 3B. The Auditor is required to compute such additional interest liability that may arise due to any of the above situations. This would be part of Table 11 and Auditor's recommendations in Part V of the GSTR 9C as well.

Penalty

Penalty can be imposed on a Registered Person if he contravenes any of the provisions of the CGST / SGST Act 2017. For instance, as per Section 122, if the taxable person collects any amount, but fails to pay the same to the Government beyond a period of three months from the date on which the payment becomes due would be liable to penalty of Rs. 10000 per Act or the amount of tax evaded, whichever is higher. Obviously, if the same was done for any reason other than fraud or any wilful misstatement or suppression of facts to evade tax, the penalty would reduced to Rs. 10000 per Act or 10% of the tax whichever is higher. In such a situation, the Auditor is under an obligation to disclose such liabilities, if payable, by the Registered Person in both Table 11 and the Auditor's recommendations.

Late fees

This includes the fee for delayed filing of GSTR 3B and GSTR 1. GSTR 3B automatically calculates such amount of late fees based on the due date and actual date of filing the return. As regards GSTR 1, the due date for the entire financial year 2017-18 has been extended till 31st October 2018. Therefore, no late fees would be calculated if GSTR 1 is furnished by this date.

(g) Other (*Please specify*)

If there are any other reasons why additional tax liability may be liable to be paid by the Registered Person which have not been covered above and which comes to the notice of the Auditor would be disclosed in this field. Rather than merely showing the tax amount, the exact reason why the additional tax liability is liable to be paid would also have to be specified.

Mechanism of payment

There are no provisions under the law which prescribes the mechanism of payment of the additional tax liability that may arise out of reconciliation. However, upon the analysis of the form it can be seen that it requires mandatory payment of the differential tax liability in cash. It does not permit utilization of the balance in electronic credit ledger for such payments.

Where the tax paid is incorrectly shown on the lower side in Form GSTR 3B, then Table 9 of Form GSTR 9 would show a higher tax payable (which would be as per the consolidated figures of outward supplies in Form GSTR 1 and inward reverse charge supplies in Form GSTR 3B) than total tax paid in cash and ITC (actual tax paid in Form GSTR 3B). In this situation, the differential tax payable can be paid through Form DRC-03.

In Form GSTR 9C, the tax payable after reconciliation with the books of accounts are to be disclosed in Table 9 of Form GSTR 9C. This tax payable is to be compared with the tax paid as per Form GSTR 3B. Assuming the books of accounts to be in line with Form GSTR 1 and Form GSTR 3B incorrectly showing a lower tax amount, the tax payable in Table 9 of Form GSTR 9C will be the same as the tax payable in Table 9 of Form GSTR 9. In this case, the unreconciled tax difference in Table 10 of Form GSTR 9C will show the same amount as the differential tax payable in Table 9 of GSTR 9. One should be careful here that if such differential tax is already paid through Form DRC-03 while reconciling Form GSTR 9, the same difference arising in Form GSTR 9C should not be subjected to additional liability as per the Auditor's recommendations in Part V of Form GSTR 9C.

Understanding “Verification” under GSTR 9C

- I. In terms of Rule 80(3) of the CGST rules, 2017 the relevant “verification” portion to the Reconciliation Statement in Form GSTR 9C reads as under:

Verification	
I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.	
**Signature and stamp/seal of Auditor	
Place:	Name of Signatory
Date:	Membership No.
Full address	

- II. The verification part of the said GSTR 9C is quite crucial in so far as the GST Auditor is concerned. Several important words and phrases are used in this part, such as **“solemnly affirm, declare, true and correct, knowledge and belief, conceal etc.,”**. An understanding of the true import of these words is crucial for understanding the manner in which the Auditor is expected to meet his professional obligation.
- III. According to The Random House Dictionary the word **solemn** means “serious or earnest” and the word **affirm** means “confirm, establish or ratify”. A solemn affirmation is ratification under a statute.
- IV. In the case of Dilip N. Shroff V. Joint Commissioner of Income tax, 2007 (219) ELT 15 (SC) their lordships extracted the meaning of the word “conceal” from the Law Lexicon which reads:

“to hide or keep secret. The word “conceal” is con + celare which implies to hide. It means to hide or withdraw from observation; to cover or keep from sight; to prevent the discovery of; to withhold knowledge of. The offence of concealment is, thus, a direct attempt to hide an item of income or a portion thereof from the knowledge of the income tax authorities.”

In the very same judgement in para 67 and 68 the Honourable Supreme Court goes on to analyse certain phrases, which are relevant and reproduced below:

‘Concealment of income’ and ‘furnishing of inaccurate particulars’ are different. Both concealment and furnishing inaccurate particulars refer to deliberate act on the part of the Registered person. A mere omission or negligence would not constitute a deliberate act of *suppressio veri* or *suggestio falsi*. Although it may not be very accurate or apt but *suppressio veri* would amount to concealment, *suggestio falsi* would amount to furnishing of inaccurate particulars.

The authorities did not arrive at a finding that the consideration amount fixed for the sale of property was wholly inadequate. The authorities also do not show the inaccurate particulars furnished by the Appellant. They also do not state what should have been the accepted principles of valuation. We, therefore, do not accept the submissions of the learned Additional Solicitor General that concealment or furnishing of inaccurate particulars would overlap each other, the same would not mean that they do not represent different concepts. Had they not been so, the Parliament would not have used the different terminologies.

To conclude, *malafide* or *dolus molus* becomes a pre-requisite to prove an act of concealment. While every action is not *malafide* – negligence, carelessness, recklessness coupled with intention to withhold information tantamount to *malafide*. It is reiterated that mere failure to provide information or providing inaccurate information also would not amount to concealment.

V. Certificate and Report:

A certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. It is certification of factual accuracy of what is stated therein.

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 an opinion thereon. It is giving an opinion based on factual data and that is arrived at by the application of due care and skill.

VI. Understanding some words according to The Law Lexicon by P Ramanatha Aiyar (1997 Edition):

- (a) **Attest (page 166):** To bear witness to; to certify; to affirm to be true or genuine; to make a solemn declaration in words or writing to support a fact; to certify to the verity of a copy of a public document;
- (b) **Verify (page 1955):** To assent or approve to be true; to ascertain, confirm or test the truth or accuracy of;
- (c) **Certify (page 296) :** To give certain knowledge or information of; make evident; vouch for the truth of; attest; to make statement as to matter of fact; to testify in writing; give a certificate of; make a declaration about in writing under hand, or hand and seal; to make attestation either in writing or orally as to the truth or excellence of something;

VII. The relevant portion of Volume I.A of the Compendium of Engagement and Quality Control Standards (9th Edition, 2012), page 3, Para 5) reads - While discharging his attest function, a member should examine whether the recommendations in a guidance

note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

Conclusion

A conjoint reading and understanding of all aspects cited *supra*, many experts are of the view that the exercise of verification may actually mean an **attest** function is being carried out while a few others believe that it is an exercise of verification of information.

Part B - GSTR 9C – An analysis

Module I – Certification in cases where the reconciliation statement (FORM GSTR 9C) is drawn up by the person who had conducted the audit and GST audit certification

I. Hierarchy of Clauses for Certification

Step 1: 'Examine' the 'financials'

Step 2: Based on such 'audit', report that books of account, etc. under the GST Acts have or have not been maintained

Step 3: Report the following observations / comments / discrepancies / inconsistencies, if any:

Step 3(b): Report further whether:

Step 3(b) (A): Information and explanations has / has not been obtained which were necessary

Step 3(b)(B): Proper books of accounts have / have not been kept

Step 3(b)(C): Financials are / are not in agreement with the books

Step 4: State whether GSTR 9C and other relevant documents are annexed

Step 5: Particulars in GSTR 9C are 'true and correct' subject to observations / qualifications:

Step 5(a):

Step 5(b): *refer list of matter's for Auditor's attention listed below*.....

Step 5(c):

Step 6: Signature and Stamp and Seal of the Auditor duly disclosing the date, place and full address

II. Introduction

This Module about the GST Auditor clarifies that the Auditor has to traverse the path of six steps given above, in which each step spells his various duties and responsibilities. It is important to note that these duties and responsibilities are not without a boundary. Inbuilt into them is 'dependency' as well as 'limitation' that sets the boundary for the Auditor to discharge his duties and responsibilities, and which give the required focus and direction to his efforts. He has to have a clear idea of the objective he has to accomplish. The GST Auditor has to express his views or opinion/s on matters ranging from the books and records that are presented for this audit certification all the way to specific observations (listed and discussed later) for the attention of a discerning reader.

III. Financials

- (a) Financial statements or 'financials' as colloquially called, advert to Balance Sheet, Profit and Loss account and notes appended to it together with Cashflow Statements, if applicable. It is important to note that the Registered Person is the Registered Person and not the Legal Entity (viz., Legal Entity could be Hindustan Unilever Limited, whereas, the Registered Person could be GSTIN based unit – say, its Tea factory located at Dharwad, in Karnataka). 'Financials' are not prepared exclusively for the Registered Person in the normal course whereas it would be at the Legal Entity level. Where a single registration is involved, the 'Financials' of the Legal Entity would be the 'Financials' of the Registered Person also. However, where multiple registrations are involved, 'Financials' continues to be in respect of the Legal Entity and NOT to be prepared again in respect of each Registered Person.
- (b) Reference may be made to the **instructions** to the table No. 5A of FORM GSTR 9C – which says, *“entities in multiple States would have to internally derive their GSTIN wise turnover and declare the same”*. Thus, one has to derive information from the 'Financials' of the Legal Entity to the extent it provides information pertaining to each Registered Person. Very simply put, the trial balance of the Legal Entity may be split “registration-wise” as information pertaining to each Registered Person for conduct of this audit certification exercise.

IV. Audit

Nature of the exercise involved in this audit certification is not to be circumscribed by the language in definition of the word 'audit' in section 2(13) of the CGST Act. Members' knowledge, training and experience as an expert Auditor in carrying out audits would bear out this audit certification exercise.

V. Report on Books

- 1. The maintenance of books of accounts, records and documents as required under the law is quite expansive and casts the responsibility of scanning the length and breadth of the GST law and identifying those that ought to be maintained. And then report whether all those:
 - (a) books of accounts
 - (b) records; and
 - (c) documentshave or have not been maintained. 'Maintained' pre-supposes habitual and contemporaneous practice. It not the same as specially or specifically prepared, compiled or extracted from such books and records that are not directly and expressly in conformity with the GST law.

2. Having mentioned that the GST law itself does not list the books of accounts, records and documents, it is trite to mention that Section 35 of the CGST Act and Rule 80 of the CGST Act specifies 'accounts and other records' which are not intended to be exhaustive and would not limit examination by the Auditor. Therefore, an Auditor is to report not only whether they are 'maintained', and specifically which of them are not maintained or deficient. This is a very important aspect that an Auditor is to pay attention to and take the benefit of carefully making known his considered views on this aspect of books.

VI. Report of Information

Here, an Auditor is to report on three aspects concerning the books of accounts that have been reviewed. These call for a statement of fact gathered by the Auditor after his examination of books and records presented for his consideration. It is an opinion that the Auditor is required to express of these specific aspects, which are:

- (i) Whether he has obtained or not obtained the information / explanations which to the best of his knowledge were necessary for the purpose of conducting his audit. It must be noted in specific that even if he has obtained information / explanations partially such facts need a specific disclosure;
- (ii) Whether **proper** books of accounts have or have not been **kept** by the Registered Person as it appears on his examination;
- (iii) A certification of the fact as to whether the 'financials' and the cash flow statement (only if applicable) are or are not in agreement with the books of account. A further affirmation of the facts as to whether the books of account have or have not been maintained at the principal place of business and at the relevant additional place of business **within the State**.

Thus, this Sl.No. requires an Auditor to exercise abundant caution, because, these are matters of opinion that are being reported. Needless to say, that any non-compliance / qualification or disclosure in this Sl.No. has serious financial ramifications that have a bearing on the course of audit proceedings.

VII. Documents to be furnished under 35(5) and Reconciliation Statement under 44(2) of the CGST Act and annexed

1. A detailed discussion in respect of documents to be furnished and the reconciliation statement in GSTR 9C have already been provided elsewhere in this book. The word "document" has to be understood carefully:
 - ✓ It is any decipherable information which is set down in a lasting form;
 - ✓ Any matter expressed or described upon substance by means of a written form and includes agreements, contracts, letters etc.,

- ✓ Any express or implied understanding of parties written or recorded, electronically, digitally or otherwise.
- 2. At the end of such an exercise the relevant GSTR 9C duly filled in and signed / sealed by the Auditor needs to be annexed to this certification.

VIII. Auditor's Opinion

- (a) In order to understand the nuances of the aspects contained in this Sl.No. one may consider the issues arising in paragraph 3 of Form No. 3CB of the Income tax Rules, 1962. In this Form, the Auditor has to report that the financial statements audited by him give a 'true and fair' view. The requirement in paragraph 3 of Form No.3CA and paragraph 5 of Form No.3CB relating to particulars in Form No.3CD is that the Auditor should report that these particulars in Form No.3CD are "true and correct". The terminology "true and fair" is widely understood though not defined even under the Companies Act, 1956(2013). On the other hand, the words "true and correct" lay emphasis on factual accuracy of the information. In this context reference is invited to AS-1 and AS(IT)-I relating to disclosure of accounting policies. These standards recognise that the major considerations governing the selection and application of accounting policies are (i) prudence, (ii) substance over form and (iii) materiality. Therefore, while giving particulars in Form No.3CD these aspects should be kept in view. In particular, considering the nature of particulars to be given in Form No.3CD, the aspect of materiality has to be given due consideration. In other words, particulars should be given in respect of material items and the Auditor should ensure factual accuracy in regard to these particulars.
- (b) The word "Audit" means formation of an 'Opinion'. 'Opinion' requires application of professional judgement. Further, an Auditor is required to comply with auditing standards issued by the ICAI. Auditing Standards follow different principles like materiality, controls, audit evidences etc. 'Opinion' based on professional judgement reflects a 'true and fair' view and not 'true and correct' view. Further interpretation and application of law requires professional judgement and hence opinion based on this needs to be true and fair. 'True and correct' view normally is a 'certification' based on arithmetical accuracy rather than an opinion. Hence, several experts are of the view that an audit opinion needs to be a 'true and fair' view and not a 'true and correct' view.
- (c) These discussions would be a futile exercise without understanding the relevant portions of the certificate part which reads:
 - ✓ **Para 5 of Part B. I of GSTR 9C:** "In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No. GSTR 9C are **true and correct** subject to following observations/qualifications, if any":

- ✓ **Para 4 of Part B.2 of GSTR 9C:** "In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.9C are **true and correct** subject to the following observations/qualifications, if any".
- (d) The above two extracts from Part B of GSTR 9C reflects that the primary objective of the Auditor is to **certify the truth and correctness** of GSTR 9C. This also augers well with the Title of Part B of GSTR 9C which calls it a certificate in synchronization with Rule 80(3), which requires reconciliation to be **duly certified**. It further reveals that the quantum of assurance required is "absolute" and not "reasonable". Thus, one can discern that the "Engagement risk" sought to be targeted is zero and not even near zero.
- (e) The Registered Person is required to keep and maintain **true and correct** account of his books and records u/s 35(1) of the CGST Act in contrast to section 128 of the Companies Act which only requires keeping books of account which give **true and fair** view of the state of affairs. Hence absolute assurance about particulars of 9C can come only if the records and documents forming part of the books of account, the examination of which are the source of this certification, are also absolutely risk free and not nearly risk free. Therefore, from end to end absolute assurance is the essence. Certification is also required in 9C regarding:
- (i) Maintenance/non-maintenance of books of accounts as required by Act/ rules / notifications
 - (ii) Agreement of books of accounts with balance sheet, profit and loss and cash flow statement
 - (iii) Documents prescribed u/s 35(5) have been annexed and Reconciliation required to be furnished u/s 44(2) in the Form 9C have been annexed.
- (f) It is not required to be certified whether Form GSTR 9 and the annual audited accounts have been annexed because Form GSTR 9 and annual audited accounts as per section 44(2) are required to be furnished along with Form GSTR 9C and not annexed with GSTR 9C, being independent attachments and not enclosures, due to apparent difference in ownership of respective documents.
- (g) Further Part B.1 and B.2 also requires:
- (i) Examination of Balance Sheet, Profit and Loss Account and Cash Flow statement
 - (ii) Forming opinion regarding keeping of proper books of account so far as it appears from the examination of those books of accounts.

- (iii) Obtaining of Information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit
- (iv) Signature and Stamp/seal of Auditor
- (h) The first three postulates tend to direct more towards opinion about **"Truth and Fairness"** but the words **True and fair** are conspicuous by their absence. A moot question that arises is as to why the words "True and Fair" are missing? In order to understand this aspect, one may have to look again at the points (a) to (d) as stated above and read them with the definition of audit u/s 2(13) of the CGST Act which states that:
- (i) "Audit" means the **examination of records, returns and other documents maintained or furnished** by the Registered Person under this Act or the rules made thereunder or under any other law for the time being in force to verify 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 the rules made thereunder:

Examination of Balance Sheet, Profit and Loss Account and Cash Flow statement	This is part of the overall examination of records, returns and documents u/s 2(13)
Forming opinion regarding keeping of proper books of account so far as it appears from the examination of those books of accounts.	"Proper Books" books of accounts here indicate to comment upon "true and correct" account of records and documents specified in section 35(1) and prescribed in Rule 56.
Obtaining of Information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit	Unless necessary information and explanation is obtained, truth and correctness and not truth and fairness of turnover declared, taxes paid, refund claimed, and input tax credit availed cannot be commented upon. Part II of GSTR 9C deals with reconciliation of turnover, Part III deals with reconciliation of taxes paid and Part IV deals with Input taxes paid
Signature and Stamp/seal of Auditor	Because "Audit" u/s 2(13) is the scope of Part B of GSTR 9C

- (j) The above discussion clearly demarcates that "audit" as per section 2(13) is the scope of engagement and not Audit as per the ICAI standards which aim at reasonable assurance. This however does not exonerate the members of the ICAI from

responsibility to perform the statutory attest function required by Part B of GSTR 9C to be performed without following the auditing and assurance standards and guidance notes on the attest function. Rather the Auditor in this situation is required to “look ahead” of those standards and not merely to “look beyond” and “look along” those standards.

- (k) Now, having perused those notes, the Auditor needs to bring necessary matters to attention of the revenue authorities. Refer para IX below regarding details of these matters.
- (l) It is important to bear in mind that where the Auditor is expressing an ‘opinion’, it involves exercise of professional judgement. As such, it covers a range of responsibilities with necessary limitations too. While it covers the duty to report omission of essential matters, it also excludes the doubt whether an investigation needs to be undertaken. Further, the whole of GSTR 9C is issued under the Auditor’s authority. It is not merely the numerical data but the description of various categories that come within his scope. Accordingly, an Auditor’s seal of approval covers all aspects in GSTR 9C. It is for this reason that qualifications alone are not sufficient to be mentioned in the ‘opinion’ but every other aspect to which attention of revenue authorities needs to be drawn to, would be required.

IX. Matters for Attention

Refer **Annexure A** infra comprising the suggested range or spectrum of matters to disclose or report.

X. Conclusion

An attempt has been made in this chapter to analyse and understand the complex issues related to the activity of auditing so as to provide a basic understanding to the reader. This chapter provides only an insight while there could be several issues that may arise in complex real time situations or business environment. The Auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Module II – Certification in cases where the reconciliation statement in (GSTR 9C) is drawn up by a person other than the person who had conducted the audit of the accounts

1. Hierarchy of Clauses for Certificate

Step 1: Audit conducted by another Auditor and a copy of the Audit Report and Financials to be annexed

Step 2: Even without conducting audit, report whether books of account, etc. under the Act have / have not been maintained; It means the Auditor has to analyse, understand and check the nature of books and records that are to be maintained or have / have not been maintained;

Step 3: Report the following observations / comments / discrepancies / inconsistencies

Step 4: State whether GSTR 9C is annexed

Step 5(a): Now 'examine' books of accounts and other relevant documents

Step 5(b): Then, particulars in GSTR 9C are true and correct subject to:

Step 5l:

Step 5(d):refer list of matter's for the Auditor's attention listed below.....

Step 5l:

Step 6: Signature and Stamp and Seal of the Auditor duly disclosing the date, place and full address

2. Introduction

In this Module, it is expected that the Auditor accomplishes the 6 steps given above, each of which contain various responsibilities. Without repeating, notes under **Module I** may be referred to in respect of this Module too. Some of the key differences are as follows:

- Step 3 in **Module I** involves report about the quality of books audited;
- Step 5 in **Module II** cited supra involves examination of books and documents required for the GST audit certification;

3. Financials

Here, Financials having been audited by a different Auditor, refers to Balance Sheet, Profit and Loss account and Cash flow Statement along with notes forming part of the audit under that other law. A copy of that entire document is required to be annexed to the GSTR 9C by the Auditor.

4. Report on Books

Considering that audit has been conducted by another Auditor, this Module requires the Auditor to first report on the books presented for his review and then attend to other matters. Notes regarding 'Report on Books' under **Module I** may be referred. Please note that '**Report on Information**' is not required in **Module II**.

5. Documents to be furnished under 35(5) and Reconciliation Statement under 44(2) of the CGST Act and annexed

Reference may be made to Module I for a discussion on this.

6. Audit Examination

Here, an Auditor is required to undertake the same exercise for purposes of the GST audit certification. The books and records that he has not audited are still available to be verified / examined as the same responsibility is ultimately placed on the GST Auditor.

7. Auditor's Opinion

Reference may be had to notes on 'Auditor's Opinion' under **Module I**. Please note that the expectation from the Auditor whether under **Module I or Module II** is almost the same. The final result being the Auditor's opinion on matters listed in GSTR 9C is reached albeit by different routes. Exercise of professional judgement is the same in both Modules.

8. Matters for Attention

Refer **Annexure A** infra comprising the range or spectrum of matters to disclose or report.

9. Conclusion

An attempt has been made in both these modules that are to be read in conjunction and thereafter analyse and understand the complex issues. This chapter only provides an insight while there could be several issues that may arise in complex real time situations or business environment. An Auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Annexure A to GSTR 9C (Illustrative list of issues that may warrant reporting)

1. Subject to the Notes annexed to GSTR 9, Audit Methodology – the ICAI has published regarding samplingand the same has been followed (EXACT WORDING TO BE INSERTED)
2. Subject to para 1 above, information reported in Part II of GSTR 9C:
 - (a) Audited financial statements of the Legal Entity have been used to derive the information;
 - (b) Deemed supply transactions and transactions for non-monetary consideration do not appear in the books of accounts generally maintained due to the GAAP basis of its preparation. These transactions have been compiled separately and reported during the year / at the end of the year / after the end of the year;
 - (c) turnover from April 2017 to June 2017 have been extracted on reasonable basis from the audited financial statements as year-end closing procedures prescribed by SAS..... is not applicable for this period;
 - (d) Credit notes are issued as permitted under GAAP and compliance with requirements of section 34 of CGST Act are monitored based on year-end review of such transactions;
 - (e) Credit notes in respect of original supplies during the financial year but issued in the subsequent financial have been / have not been included within the financial year itself as an event occurring after the date of the Balance Sheet;
 - (f) Refer Annexure or details of adjustments under 5-O along with notes therein;
 - (g) Refer Annexure....for details of reasons stated in 6;
3. Subject to para 1 above, information reported in Part II of GSTR 9C:
 - (a)
4. Subject to para 1 above, information reported in Pt. IV of GSTR 9C:
 - (a)
 - (b) Information in respect of the total GST paid on each item of inward supply as required in column (3) in Sr.no.14 has not been maintained. As such, only to the extent information is available has been reported;
 - (c) Total of information in column (2) in Sr.no.14 matches / does not match with information pertaining to the Registered Person extracted from the audited financial statements of the Legal Entity;

5. Subject to para 1 above, information reported in Pt. IV of GSTR 9C:
 - (a)
6. Condition linked to rate of tax has / has not been violated /Advance Ruling has / has not been applied by this Registered Person and the same has / has not been ruled as on this date;
7. GST on reverse charge under section 9(4) and 5(4) are / are not paid from Jul 1, 2017 up to Oct 13, 2017;
8. Credit notes received by the Registered Person have / have not been reported as outward supplies;
9. Input tax credit reversed of Rs..... includes:
 - (a) Rs..... onafter revising credit reversal required under rule 42
 - (b) Rs..... onafter revising credit reversal required under rule 43
 - (c) Rs..... ontowards refund claimed (Rs..... refund sanctioned and Rs..... refund rejected which has / has not been restored);
10. Closing balance of input tax credit for the year does not include:
 - (a) Amount liable to be reversed under Rule 37 which has been regularly reviewed for reversal and has been reversed monthly / quarterly / annually / after audit
 - (b) Amount ineligible under Section 17(5) but details of the same are unknown as it is not maintained
 - (c) Amount ineligible due to conditional exemption applicable to outward supplies but details of the same are unknown as it is not maintained;
11. An amount of Rs..... but not appearing in GSTR 2A has been claimed as credit based on confirmation of payment of such tax obtained by the Registered Person;
12. An amount of Rs..... towards input tax credit availed and liable to be reversed has / has not been reversed (Rs..... totally reversed and Rs..... restored for the year)

FAQ's

A. General

1. **Is there a separate audit required to be conducted under the CGST/ SGST/ UTGST/ IGST Act, when they are already subjected to audit under any other law?**

Section 35(5) of the CGST/ SGST Act and Section 21 of the UTGST Act, Section 20 of the IGST Act both r/w Section 35(5) of the CGST Act prescribes that every Registered Person whose turnover during a financial year exceeds the *prescribed limit* shall **get his accounts audited** by a chartered accountant or a cost accountant. The amount is prescribed in Rule 80(3) of the CGST/ SGST Rules. Every Registered Person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under the sub-section (5) of Section 35 and he shall furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

FORM GSTR 9C is divided into two parts. Part A is a reconciliation statement and Part B relates to certification to be provided by the Auditor. Part B further provides two situations. The first is where the reconciliation statement is drawn by the Auditor who has conducted the audit of the entity and the second is the case where the reconciliation statement is drawn by an Auditor, who has not conducted the audit of the entity. In the second situation, the GST Auditor relies on the audit report of the person who has conducted the audit of the entity and such certification also requires the GST Auditor to state the statute under which the audit of the entity has been conducted.

Thus we can conclude that where the audit of financial statements of the entity has been conducted under a statute other than the GST Act and by a person other than the GST Auditor, the GST Auditor relying on such audit report need not conduct audit of financials once again.

However, in a case where reconciliation statement is drawn by the Auditor who has conducted audit of the entity, then certificate does not contain any reference to the statute under which audit has been conducted. Para 2 of the certificate in the first case employs the term '*Based on our audit...*'. Para 3(b)(A) further employs the term '*we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of audit*'. Thus, it can be inferred in the first case that if audit is not required under any other statute, audit ought to be conducted under the GST Act.

2. **What are the objectives of certifying GSTR 9-C?**

The main objectives of certifying Form GSTR 9C are:

- To verify whether the concerned GSTIN has maintained the books of accounts, records and documents as required u/s 35(1) of the CGST/ SGST Act (S.21 of UTGST and S.20 of IGST Act both r/w S.35(1) of CGST Act) and Rule 56 to 58 of CGST/ SGST Rules.
- To certify the correctness of the reconciliation between the turnover as per the annual return with the turnover as per the audited financial statements. The aggregate of turnover as per entry nos. 5N, 10 and 11 of the Annual Return ought to match with turnover as declared in entry no. 5P of the reconciliation statement.
- Due to some genuine reasons the turnover as per annual return may not tally with the turnover as per financial statements. The un-reconciled balance is declared in entry no. 5R of the reconciliation statement. *The reasons for such differences shall be stated in entry no.6 of the reconciliation statement.*
- To certify the correctness of taxable turnover. The aggregate of taxable turnover declared in entry no. 4N of the annual return ought to tally with the aggregate of taxable turnover derived from financial statements as per entry no. 7E of the reconciliation statement.
- Due to some genuine reasons the taxable turnover as per the annual return may not tally with the taxable turnover as per the financial statements. The un-reconciled balance is declared in entry no. 7G of the reconciliation statement.

G	Unreconciled taxable turnover (F-E)	AT 2
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The reasons for such difference are stated in entry no.8 of the reconciliation statement.

- To certify the correctness of taxable value and tax payable rate wise (refer entry nos. 9A to 9K of the reconciliation statement).
- To determine whether there is a difference between the tax paid, as declared in annual return, and the tax payable as declared in entry no. 9P (aggregate of entry nos. 9A to 9O) of the reconciliation statement. The reasons for the aforesaid difference shall be stated in entry no.10 of the reconciliation statement.
- To determine if additional amounts of tax payable due to:
 - o Difference in un-reconciled balance in turnover (entry no.6 of the reconciliation statement)
 - o Difference in un-reconciled balance in taxable turnover (entry no.8 of the reconciliation statement)
 - o Difference in un-reconciled balance upon reconciliation of rate wise tax liability (entry no.10 of the reconciliation statement)

- To certify the correctness of ITC, as per the audited financial statement relating to GSTIN being audited.
- To reconcile the difference between the ITC as claimed in the annual returns and ITC as claimed in the audited financial statements. The total ITC claimed in entry no. 7J of the annual returns ought to match with aggregate of ITC claimed as per financial return (as per entry no. 12D of the reconciliation statement)

D	ITC availed as per audited financial statements or books of account	<Auto>
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Table No.	Instructions
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above would be auto-populated here.

- Due to some genuine reasons the ITC claimed as per the annual return may not tally with the ITC claimed as per financial statements. The un-reconciled balance is declared in entry no. 12F of the reconciliation statement. *The reasons for such difference shall be stated in entry no.13 of the reconciliation statement.*
- To mention details of accounts/records/documents which are not maintained as required in the IGST/CGST/State/UT GST Act.
- To provide observations / qualifications, if any.

3. What is the turnover limit for filing Form GSTR 9C?

As per Rule 80(3) of the CGST/ SGST Rules, every Registered Person whose *aggregate turnover* during a financial year exceeds two crore rupees shall get his accounts audited as specified under the sub-section (5) of Section 35 and furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in **FORM GSTR 9C**

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

Thus, aggregate turnover of the PAN on all India basis would have to be considered for the purpose of filing FORM GSTR 9C.

4. **Whether supply of alcohol for human consumption should be included in determining the threshold limit of Rs. 2 crores by a person registered under the GST?**

The definition of aggregate turnover includes exempt turnover. Exempt turnover is defined under the CGST Act to mean supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services tax Act and **includes non-taxable supply.**

Non-taxable supply is defined under section 2(78) of the CGST Act to mean a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services tax Act.

S.9(1) of the CGST/ SGST Act and S.7(1) and 5(1) of the UTGST and IGST Act respectively exclude alcoholic liquor for human consumption from the levy/charge of GST. On a combined reading of the charging sections with the definitions of non-taxable supply and exempt supply, it becomes clear that alcoholic liquor for human consumption forms part of the exempt turnover. Since aggregate turnover includes exempt turnover, the value of alcoholic liquor for human consumption is to be included while computing the threshold limit of Rs. 2 crores.

5. **Whether the term 'Aggregate turnover' includes Central tax, State tax, Union territory tax, Integrated tax and Cess for determining the applicability of Rs. 2 crores?**

Aggregate turnover as per Section 2(6) of the CGST/ SGST Acts excludes the value of central tax, State tax, Union territory tax, integrated tax and cess. Thus, the GST and compensation cess paid thereon is excluded from aggregate turnover. As a corollary, all taxes, cess, duties other than the GST paid on supply of goods/ services is to be included for the purpose of computing threshold limit of Rs. 2 crores.

6. **Whether the term 'aggregate turnover' includes freight and insurance recovered from the buyer to calculate the threshold limit?**

As per the illustration given to definition of composite supply under section 2(30) of the CGST/ SGST Act, freight and insurance paid on the supply of goods forms part of a composite supply, the principal supply of which is goods. As per Section 8 of the CGST/ SGST Act, the principal supply shall be treated as supply for the purpose of the GST Act. Therefore, freight and insurance recovered from the buyer is to be treated as principal supply and included for the purpose of computing the threshold limit of Rs. 2 crores.

7. **Whether the term 'aggregate turnover includes stock transfers/ cross charges effected between branches located in two different states?**

Section 2(6) of the CGST/ SGST Act defines aggregate turnover to include 'inter-state supplies of persons having the same PAN'. Thus, stock transfers/ cross charges/ services provided from a branch located in one state to a branch located in another state would be included in the aggregate turnover of the branch supplying the goods/ services.

8. **Whether the term 'aggregate turnover includes stock transfers effected within the State having the same GSTIN for determining the threshold limits?**

The term 'aggregate turnover' shall not include stock transfers effected within the same State having the same GSTIN for the purpose of determining the threshold limit. However, where more than one GSTINs has been taken for branches located in the same state, then such branch transfers shall be included for computing the threshold limit of Rs.2 crore for the branch supplying the goods/ services.

9. **Whether a Registered Person (for instance compulsory registration under Section 24 (1) (iii) - persons who are required to pay tax under reverse charge) under the GST having exclusively exempted supplies of goods or services exceeding Rs. 2 crores are required to file Form GSTR 9C?**

The definition of 'aggregate turnover' includes even exempted supplies. Therefore, if a person is registered under the GST and having only exempted supplies would have to file Form GSTR 9C.

10. **Is Form GSTR 9C required to be filed for every registration obtained by a person in a different State?**

Section 35(5) of SGST Act, also requires conduct of audit in addition to Section 35(5) of the CGST Act. Thus, audit is required state wise for compliance of Section 35(5) of the SGST Act. Therefore, a person having registration in Karnataka and Tamil Nadu is required to be audited under KGST Act, 17 and TNGST Act, 17. GSTR 9C is required to be filed as per Rule 80(3) of KGST Rules, 2017 and TNGST Rules. Thus, a person having registration in more than one state is required to file GSTR 9C registration wise, in each and every state.

11. **Is a Chartered Accountant required to be registered as a GST practitioner for the purpose of certifying Form GSTR 9C?**

Section 48 of the CGST/ SGST Act read with Rule 83(8) of the CGST/ SGST Rules authorizes a GST practitioner to undertake the following activities:

- (a) furnish the details of outward and inward supplies;

- (b) furnish monthly, quarterly, annual or final return;
- (c) make deposit for credit into the electronic cash ledger;
- (d) file a claim for refund; and
- (e) file an application for amendment or cancellation of registration:

The GST Act/ Rules do not vest a GST practitioner with the power to audit u/s 35(5). The power to audit is granted only to a Chartered Accountant or Cost Accountant. Therefore, a Chartered Accountant is not required to be registered as a GST practitioner for the purpose of certifying Form GSTR 9C.

12. What are the documents to be enclosed along with GSTR 9C?

As per Section 35(5), a copy of the audited accounts and such other documents in such form and manner '*as may be prescribed*' ought to be submitted along with the reconciliation statement (i.e. GSTR 9C). Prescription ought to be provided in the Rules, when the Act employs the term '*as may be prescribed*'. No documents other than the audited annual accounts have been prescribed in Rule 80(3).

Part B of GSTR 9C requires the GST Auditor to enclose a copy of the audit report of the entity, where the audit of the entity has been carried out by another person under a statute other than the GST Act. In the said case, documents declared by the said statute to form part of the audited financial statements must also be annexed to the audit report.

13. Whether Form GSTR 9 and Form GSTR 9C should be filed separately?

Section 44(2) of the CGST/ SGST Act 2017 provides that a Registered Person has to file the annual return in FORM GSTR 9 along with a copy of the reconciliation statement in FORM GSTR 9C. Thus, FORM GSTR 9C has to be filed along with FORM GSTR 9 in case the aggregate turnover exceeds Rs. 2 crores.

14. What is the time limit to file FORM GSTR 9C?

Section 44(2) requires the reconciliation statement in FORM GSTR 9C along with the annual return in FORM GSTR 9. As per S.44(1), the due date to file annual return is on or before the thirty-first day of December following the end of such financial year for which annual return is being prepared. Thus, it can be inferred that due date for filing reconciliation statement in FORM GSTR 9C is also on or before thirty-first day of December following the end of such financial year for which reconciliation statement is being prepared.

15. What are the contents of Form GSTR 9C?

FORM GSTR 9C consists of two parts. Part-A is about the Reconciliation statement. Part B is related to the Certificate to be issued by the GST Auditor.

16. Who are the persons authorized under the GST law to certify the Form GSTR 9C?

A Chartered Accountant or a Cost Accountant are the persons authorized under the GST law to certify the Form GSTR 9C as per Section 35(5) of the CGST/ SGST Act.

17. If the financial year of the dealer is a calendar year say from January to December, can the Form GSTR 9C be filed for the said period?

Section 35(5) of the CGST/ SGST Act and Rule 80(3) of the CGST/ SGST Rule both refer to the financial year. The financial year has not been defined under the GST Acts. Therefore, reference ought to be made to general clauses act as per which the financial year means a year which starts from first of April. Hence GSTR 9C cannot be filed for the accounting year, which is different from the financial year.

18. What are the consequences of non-submission of Form GSTR 9C within the prescribed time limit?

- (a) Section 44(2) of the CGST Act and State /Union Territory GST Act provides that every Registered Person shall file electronically annual return in Form GSTR 9 along with a reconciliation statement in GSTR 9-C, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.
- (b) Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day for delay in furnishing the annual return in GSTR 9, subject to a maximum amount of quarter percent (0.25%) of the turnover in the State or Union Territory. Similar provisions for levy of late fee exist under the State / Union Territory GST Act.
- (c) On a combined reading of Section 47(2) and Section 44 (2) of the CGST Act and State / Union Territory GST Act a late fee of Rs.200/- per day (Rs. 100 under CGST law + Rs. 100/- under State / Union Territory GST law) can be levied which would be capped to a maximum amount of half percent (0.25% under the CGST Law + 0.25% under the SGST / UTGST Law) of turnover in the State or Union Territory.
- (d) In a situation where a Registered Person gets GSTR 9C duly certified but fails to furnish both GSTR 9 and GSTR 9C on the common portal, the provisions of late fee cited in clause "a to c" supra would equally apply.
- (e) In a situation where a Registered Person files only GSTR 9 but fails to file GSTR 9C, the filing of GSTR 9 is not considered to have been defaulted, whereby the late fee cited in clause "a to c" supra would not apply. However, there may be consequences of default in complying with the provisions of Section 44(2).

19. **Can the late fee be waived off in genuine cases?**

The Government may, by notification, waive in part or full, any late fee referred to in Section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendation of the Council. However, no notification has been issued by the Central Government/ State Government as on date.

20. **Where a part of the records of the dealer have been seized by the GST authorities before the due date for submission of the Form GSTR 9C and the dealer has not been able to get his accounts and file Form GSTR 9C, will the late fee still be applicable?**

Yes. There is no specific provision for waiver of late fee in the aforesaid scenario. However, as per the second proviso to Section 67(2), the documents or books or things so seized shall be retained by such officer only for so long as may be necessary for their examination and for any inquiry or proceedings under this Act.

Further, as per Section 67(3) the documents, books or things which have not been relied upon for the issue of notice under this Act or the rules made thereunder, shall be returned to such persons within a period not exceeding thirty days of the issue of the said notice.

More importantly, as per Section 67(5), the Registered Person shall be entitled to make copies of the documents, books or things or take extracts therefrom in the presence of an authorised officer except where making such copies or taking such extracts may, in the opinion of the proper officer, prejudicially affect the investigation. Thus, the photocopies may be relied upon for submission of FORM GSTR 9C in case where the books have been seized.

21. **Is there any provision of filing the Revised Form GSTR 9C?**

There is no provision enabling a dealer to file revised Form GSTR 9C. As such, some experts opine that, the Certificate once issued / filed cannot be revised in view of no such revision being permitted to audited reports by a Chartered Accountant. However, there is another view that since there are no specific bar/ restrictions under the GST law to file a revised audit report/ certificate, a revised audit report / certificate can be issued / filed. Care must be exercised to ensure that the relevant Form GSTR 9C is not taken lightly and filed with inaccurate particulars. Caution is advised in taking such a position unless the Government issues any clarification in this regard. While one can appreciate that mistakes can creep in and therefore warrant a revision, it must be ensured that there is no mala fide at the time of filing this reconciliation statement. If felt necessary the reasons for the need for revision and impact can be communicated on record which can be used as evidence of bona fide and professional action.

22. Can the Internal Auditor of the dealer certify Form GSTR 9C?

An internal Auditor cannot certify FORM GSTR 9C as per instructions issued by the ICAI.

23. Can a Registered Person contend that Special Audit u/s 66 cannot be conducted by a Chartered Accountant/ Cost Accountant when FORM GSTR 9C has been filed?

Special audit u/s 66 is conducted during the stage of scrutiny, inquiry, investigation or any other proceedings before departmental officers, if the departmental officer having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the *value* has not been correctly declared or the *credit* availed is not within the normal limits. In such a case, with the prior approval of the Commissioner, the departmental officer may direct the Registered Person by a communication in writing to get his records including the books of account examined and audited by a Chartered Accountant or a Cost Accountant as may be nominated by the Commissioner.

Audit under section 35(5) has to be carried out by every Registered Person whose aggregate turnover is greater than Rs. 2 crores. Thus, the audit contemplated under both the aforesaid conditions are entirely different though audit is conducted in both the aforesaid cases by a Chartered Accountant/ Cost Accountant.

24. Does the submission of the Form GSTR 9C mean that the Commissioner or any officer authorized by him will not undertake an audit under Section 65 of the CGST Act?

The provisions relating to departmental audit u/s 65 and provisions relating to audit u/s 35(5) are two independent provisions. Audit u/s 35(5) is required when aggregate turnover is greater than Rs.2 crores whereas there is no such condition for audit u/s 65. Further audit u/s 65 is by the department whereas audit u/s 35(5) is by a Chartered Accountant/ Cost Accountant. Thus, submission of FORM GSTR 9C would not in any manner curtail the right of the department to conduct an audit.

Part B**1. In which situation is Part I or Part II of the certification required to be certified?**

1. Part I certification is to be certified by a Chartered Accountant / firm of Chartered Accountant wherein the audit of books of accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by the same Chartered Accountant / firm of Chartered Accountant
2. Part II certification is to be certified by a Chartered Accountant / firm of Chartered Accountant of a Cost Accountant firm of Cost Accountants if the audit of books of

accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by some other Chartered Accountant / firm of Chartered Accountant.

2. **What is the difference between the word 'observation' and 'qualification'?**

1. **Observation:** The word 'observation' has not been defined under the CGST Act or under the Standards of Auditing issued by the ICAI. Therefore, dictionary meaning would have to be taken. As per the Law Lexicon, authored by P Ramanatha Iyer observation means 'view' or 'remark'.
2. **Qualification:** The word 'qualification' has not been defined under the CGST Act. As per SA 705 issued by the ICAI the Auditor shall express a qualified opinion when:
 - (a) The Auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
 - (b) The Auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the Auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Therefore, while certifying Form GSTR 9C the Chartered Accountant should take utmost care in reporting a matter as an 'observation' or as a 'qualification'.

3. **Whether a Chartered Accountant in Service can certify Form GSTR 9C?**

No. Only a Chartered Accountant in practice can certify the Form GSTR 9C. The Council at its 242nd Meeting has passed a Resolution, effective from 1st April 2005, that any member in part time practice (holding certificate of practice and also engaging himself in other business or occupation) is not entitled to perform attest function. The audit under the GST Laws being an attest function, the resolution of the Council is applicable for such audit also. Therefore, any member in part time practice cannot perform an audit under the GST Laws. Thus it follows that a Chartered Accountant in Service cannot certify GSTR 9C.

APPENDICES

Appendix 1

Reference - CHAPTER 1

Provisions of CGST Act and IGST Act, 2017 as which are relevant for Audit

A. CGST Act

Sl. No	Relevant provisions	Relevant terms	Meaning or detailed description
1.	Section 2(6)	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, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.
2.	Section 2(13)	Audit	Audit means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify 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 the rules made thereunder.
3.	Section 2(19) of CGST	Capital goods	Capital goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
4.	Section 2(20)	Casual taxable person	Casual taxable person means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.
5.	Section 2(21)	Central tax	Central tax means the central goods and services tax levied under Section 9.

6.	Section 2(22)	Cess	Cess shall have the same meaning as assigned to it in the Goods and Services Tax (Compensation to States) Act.
7.	Section 2(23)	Chartered accountant	Chartered accountant means a chartered accountant as defined in clause (b) of sub-section (1) of Section 2 of the Chartered Accountants Act, 1949 (38 of 1949). Chartered accountant means a person who is a member of the Institute - Section 2(1) (b) of Chartered Accountants Act, 1949.
8.	Section 2(35)	Cost accountant	Cost accountant means a cost accountant as defined in [clause (b)] of sub-section (1) of Section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959). Cost accountant means a person who is a member of the Institute - Section 2(1) (b) of Cost And Works Accountants Act, 1959.
9.	Section 2(37)	Credit Note	Credit note means a document issued by a registered person under sub-section (1) of Section 34.
10.	Section 2(38)	Debit Note	Debit note means a document issued by a registered person under sub-section (3) of Section 34.
11.	Section 2(39)	Deemed exports	Deemed exports means such supplies of goods as may be notified under Section 147.
12.	Section 2(41)	Document	Document includes written or printed record of any sort and electronic record as defined in clause (t) of Section 2 of the Information Technology Act, 2000 (21 of 2000).
13.	Section 2(47)	Exempt Supply	Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under Section 11, or under Section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.
14.	Section 2(52)	Goods	Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply..
15.	Section 2(52)	Integrated tax	Integrated tax means the integrated goods and services tax levied under the Integrated Goods and Services Tax Act.

16.	Section 2(59)	Input	Input means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.
17.	Section 2(60)	Input service	Input service means any service used or intended to be used by a supplier in the course or furtherance of business.
18.	Section 2(61)	Input Service Distributor	Input Service Distributor means an office of the supplier of goods or services or both which receives tax invoices issued under Section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office.
19.	Section 2(63)	Input Tax Credit	Input tax credit means the credit of input tax.
20.	Section 2(67)	Inward supply	Inward supply in relation to a person shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration.
21.	Section 2(77)	Non-resident taxable person	Non-resident taxable person means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.
22.	Section 2(78)	Non-Taxable supply	Non-taxable supply means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.
23.	Section 2(82)	Output Tax	Output tax in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.
24.	Section 2(83)	Outward supply	Outward supply in relation to a taxable person means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be

			made by such person in the course or furtherance of business.
25.	Section 2(85)	Place of business	Place of business includes— (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or (b) a place where a taxable person maintains his books of account; or (c) A place where a taxable person is engaged in business through an agent, by whatever name called.
26.	Section 2(93)	Recipient	Recipient of supply of goods or services or both, means— (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration; (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.
27.	Section 2(94)	Registered person	Registered person means a person who is registered under Section 25 but does not include a person having a Unique Identity Number.
28.	Section 2(97)	Return	Return means any return prescribed or otherwise required to be furnished by or under this Act or the rules made thereunder.
29.	Section 2(98)	Reverse charge	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 under sub-section (3) or sub-section (4) of Section 9, or under sub-section (3) or subsection (4) of Section 5 of the Integrated Goods and Services Tax Act.
30.	Section 2(102)	Services	Services means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged; Explanation. — For the removal of doubts, it is hereby clarified that the expression “services” includes facilitating or arranging transactions in securities.
31.	Section 2(103)	State	State includes a Union territory with Legislature.
32.	Section 2(104)	State tax	State tax means the tax levied under any State Goods and Services Tax Act.
33.	Section 2(106)	Tax period	Tax period means the period for which the return is required to be furnished.
34.	Section 2(107)	Taxable person	Taxable person means a person who is registered or liable to be registered under Section 22 or Section 24.
35.	Section 2(108)	Taxable supply	Taxable supply means a supply of goods or services or both which is leviable to tax under this Act.
36.	Section 2(112)	Turnover in State or Turnover in Union territory	Turnover in State or Turnover in Union territory 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) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess;
37.	Section 7	Scope of supply as amended – Central Goods and Services	(1) For the purposes of this Act, the expression “supply” includes— (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the

		Tax (Amendment) Act, 2018	course or furtherance of business; (b) import of services for a consideration whether or not in the course or furtherance of business and; (c) the activities specified in Schedule I, made or agreed to be made without a consideration; (1A) where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II. (2) Notwithstanding anything contained in sub-section (1),— (a) activities or transactions specified in Schedule III; or (b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, Shall be treated neither as a supply of goods nor a supply of services. (3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as— (a) a supply of goods and not as a supply of services; or (b) A supply of services and not as a supply of goods.
38.	Section 35(1)	Books of Accounts	Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of— (a) production or manufacture of goods; (b) inward and outward supply of goods or services or both; (c) stock of goods; (d) input tax credit availed;

			(e) output tax payable and paid; and (f) such other particulars as may be prescribed: Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business: Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.
39.	Section 35(5)	Accounts and other records as amended – Central Goods and Services Tax (Amendment) Act, 2018	Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of Section 44 and such other documents in such form and manner as may be prescribed. Provided that nothing contained in this sub-section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.
40.	Rule 58(1) and (5)	Records to be maintained by owner or operator of godown or warehouse and transporters	Every person required to maintain records and accounts in accordance with the provisions of sub-section (2) of Section 35, if not already registered under the Act, shall submit the details regarding his business electronically on the common portal in FORM GST ENR-01, either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details furnished, a unique enrolment number shall be generated and communicated to the said person.. .. 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.

41.	Rule 80	Annual return and reconciliation statement	(1) Every registered person, other than an Input Service Distributor, a person paying tax under Section 51 or Section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return as specified under sub-section (1) of Section 44 electronically in FORM GSTR-9 through the common portal either directly or through a Facilitation Centre notified by the Commissioner: Provided that a person paying tax under Section 10 shall furnish the annual return in FORM GSTR-9A. (2) Every electronic commerce operator required to collect tax at source under Section 52 shall furnish annual statement referred to in sub-section (5) of the said section in FORM GSTR -9B. (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, duly certified, in GSTR 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
42.	Section 44	Annual return	1) Every registered person, other than an Input Service Distributor, a person paying tax under Section 51 or Section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year. (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.

43.	Schedule I	Activities To be Treated As Supply Even If Made Without Consideration	1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets. 2. Supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business: Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both. 3. Supply of goods- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or (b) By an agent to his principal where the agent undertakes to receive such goods on behalf of the principal. 4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.
B. IGST Act, 2017			
1.	Section 2(5)	Export of goods	Export of goods with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India.
2.	Section 2(6)	Export of services	Export of services means the supply of any service when,— (i) the supplier of service is located in India; (ii) the recipient of service is located outside India; (iii) the place of supply of service is outside India; (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India and (v) The supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in Section 8.
3.	Section 2(10)	Import of goods	Import of goods with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India.

4.	Section 2(11)	Import of Services	Import of services means the supply of any service, where— (i) the supplier of service is located outside India; (ii) the recipient of service is located in India; and (iii) the place of supply of service is in India.
5.	Section 2(12)	Integrated Tax	Integrated tax means the integrated goods and services tax levied under this Act.
6.	Section 2(13)	Intermediary	Intermediary means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.
7.	Section 2(23)	Zero-rated supply	Zero-rated supply shall have the meaning assigned to it in Section 16. Section 16(1) - Zero rated supply means any of the following supplies of goods or services or both, namely:— (a) export of goods or services or both; or (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.
8.	Section 20	Application of provisions of Central Goods and Services Tax Act	Subject to the provisions of this Act and the rules made thereunder, the provisions of Central Goods and Services Tax Act (i)..... (xiv) audit (xxv).....

Appendix 2

¹ [FORM GSTR-9 (See rule 80) Annual Return						
Pt. I	Basic Details					
1	Financial Year					
2	GSTIN					
3A	Legal Name					
GSTR 3B	Trade Name (if any)					
Pt. II	Details of Outward and inward supplies declared during the financial year					
			(Amount in ₹ in all tables)			
	Nature of Supplies	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
4	Details of advances, inward and outward supplies on which tax is payable as declared in returns filed during the financial year					
A	Supplies made to un-registered persons (B2C)					
B	Supplies made to registered persons (B2B)					
C	Zero rated supply (Export) on payment of tax (except supplies to SEZs)					
D	Supply to SEZs on payment of tax					
E	Deemed Exports					
F	Advances on which tax has been paid but invoice has not been issued (not covered under (A) to (E) above)					
G	Inward supplies on which tax is to be paid on reverse charge basis					

H	Sub-total (A to G above)					
I	Credit Notes issued in respect of transactions specified in (B) to (E) above (-)					
J	Debit Notes issued in respect of transactions specified in (B) to (E) above (+)					
K	Supplies / tax declared through Amendments (+)					
L	Supplies / tax reduced through Amendments (-)					
M	Sub-total (I to L above)					
N	Supplies and advances on which tax is to be paid (H + M) above					
5	Details of Outward supplies on which tax is not payable as declared in returns filed during the financial year					
A	Zero rated supply (Export) without payment of tax					
B	Supply to SEZs without payment of tax					
C	Supplies on which tax is to be paid by the recipient on reverse charge basis					
D	Exempted					
E	Nil Rated					
F	Non-GST supply					
G	Sub-total (A to F above)					
H	Credit Notes issued in respect of transactions specified in A to F above (-)					
I	Debit Notes issued in respect of transactions specified in A to F above (+)					
J	Supplies declared through Amendments (+)					
K	Supplies reduced through Amendments (-)					
L	Sub-Total (H to K above)					

M	Turnover on which tax is not to be paid(G + L above)					
N	Total Turnover (including advances) (4N + 5M - 4G above)					
Pt. III	Details of ITC as declared in returns filed during the financial year					
	Description	Type	Central Tax	State Tax/UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
6	Details of ITC availed as declared in returns filed during the financial year					
A	Total amount of input tax credit availed through FORM GSTR 3B (sum total of Table 4A of FORM GSTR 3B)		< Auto >	< Auto >	< Auto >	< Auto >
B	Inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs)	Inputs				
		Capital Goods				
		Input Services				
C	Inward supplies received from unregistered persons liable to reverse charge (other than B above) on which tax is paid and ITC availed	Inputs				
		Capital Goods				
		Input Services				
D	Inward supplies received from registered persons liable to reverse charge (other than B above) on which tax is paid and ITC availed	Inputs				
		Capital Goods				
		Input Services				
E	Import of goods (including supplies from SEZs)	Inputs				
		Capital Goods				
F	Import of services (excluding inward supplies from SEZs)					
G	Input Tax credit received from ISD					
H	Amount of ITC reclaimed (other than B above) under the provisions of the Act					

I	Sub-total (B to H above)				
J	Difference (I - A above)				
K	Transition Credit through TRAN-I (including revisions if any)				
L	Transition Credit through TRAN-II				
M	Any other ITC availed but not specified above				
N	Sub-total (K to M above)				
O	Total ITC availed (I +N above)				
7	Details of ITC Reversed and Ineligible ITC as declared in returns filed during the financial year				
A	As per Rule 37				
B	As per Rule 39				
C	As per Rule 42				
D	As per Rule 43				
E	As per Section 17(5)				
F	Reversal of TRAN-I credit				
G	Reversal of TRAN-II credit				
H	Other reversals (pl. specify)				
I	Total ITC Reversed (A to H above)				
J	Net ITC Available for Utilization (6O - 7I)				
8	Other ITC related information				
A	ITC as per GSTR 2A (Table 3 and 5 thereof)	<Auto>	<Auto>	<Auto>	<Auto>
B	ITC as per sum total of 6(B) and 6(H) above	<Auto>			
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 but availed during April to September, 2018				
D	Difference [A-(B+C)]				
E	ITC available but not availed (out of D)				
F	ITC available but ineligible (out of D)				
G	IGST paid on import of goods (including supplies from SEZ)				

H	IGST credit availed on import of goods (as per 6(E) above)	<Auto>					
I	Difference (G-H)						
J	ITC available but not availed on import of goods (Equal to I)						
K	Total ITC to be lapsed in current financial year(E + F + J)	<Auto>	<Auto>	<Auto>	<Auto>	<Auto>	
Pt. IV	Details of tax paid as declared in returns filed during the financial year						
9	Description	Tax Payable	Paid through cash	Paid through ITC			
				Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6	7
	Integrated Tax						
	Central Tax						
	State/UT Tax						
	Cess						
	Interest						
	Late fee						
	Penalty						
	Other						
Pt. V	Particulars of the transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY whichever is earlier						
	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	
	1	2	3	4	5	6	
10	Supplies / tax declared through Amendments (+) (net of debit notes)						
11	Supplies / tax reduced through Amendments (-) (net of credit notes)						
12	Reversal of ITC availed during previous financial year						
13	ITC availed for the previous financial year						

14	Differential tax paid on account of declaration in 10 and 11 above							
	Description				Payable		Paid	
	1				2		3	
	Integrated Tax							
	Central Tax							
	State/UT Tax							
	Cess							
	Interest							
Pt. VI	Other Information							
15	Particulars of Demands and Refunds							
	Details	Centra l Tax	State Tax / UT Tax	Integrat ed Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5			
A	Total Refund claimed							
B	Total Refund sanctione d							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending							

	out of E above							
16	Information on supplies received from composition taxpayers, deemed supply under Section 143 and goods sent on approval basis							
	Details			Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1			2	3	4	5	6
A	Supplies received from Composition taxpayers							
B	Deemed supply under Section 143							
C	Goods sent on approval basis but not returned							
17	HSN Wise Summary of outward supplies							
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9
18			HSN Wise Summary of Inward supplies					
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
1	2	3	4	5	6	7	8	9
19	Late fee payable and paid							
	Description				Payable		Paid	
	1				2		3	
A	Central Tax							
B	State Tax							

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Place	Signature
Date	Name of Authorised Signatory
	Designation / Status

Notes

1. Inserted vide Notification No. 39/2018 – Central Tax dated 04-09-2018

Instructions: –

1. Terms used:
 - (a) GSTIN: Goods and Services Tax Identification Number
 - (b) UQC: Unit Quantity Code
 - (c) HSN: Harmonized System of Nomenclature Code
2. The details for the period from July 2017 to March 2018 are to be provided in this return.
3. Part II consists of the details of all outward supplies & advances received during the financial year for which the annual return is filed. The details filled in Part II are a consolidation of all the supplies declared by the taxpayer in the returns filed during the financial year. The instructions to fill Part II are as follows:

Table No.	Instructions
4A	Aggregate value of supplies made to consumers and unregistered persons on which tax has been paid shall be declared here. These will include details of supplies made through E-Commerce operators and are to be declared as net of credit notes or debit notes issued in this regard. Table 5, Table 7 along with respective amendments in Table 9 and Table 10 of FORM GSTR-1 may be used for filling up these details.
4B	Aggregate value of supplies made to registered persons (including supplies made to UINs) on which tax has been paid shall be declared here. These will include supplies made through E-Commerce operators but shall not include supplies on which tax is to be paid by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4A and Table 4C of FORM GSTR-1 may be used for filling up these details.
4C	Aggregate value of exports (except supplies to SEZs) on which tax has been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.

4D	Aggregate value of supplies to SEZs on which tax has been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.
4E	Aggregate value of supplies in the nature of deemed exports on which tax has been paid shall be declared here. Table 6C of FORM GSTR-1 may be used for filling up these details.
4F	Details of all unadjusted advances i.e. advance has been received and tax has been paid but invoice has not been issued in the current year shall be declared here. Table 11A of FORM GSTR-1 may be used for filling up these details.
4G	Aggregate value of all inward supplies (including advances and net of credit and debit notes) on which tax is to be paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis. This shall include supplies received from registered persons, unregistered persons on which tax is levied on reverse charge basis. This shall also include aggregate value of all import of services. Table 3.1(d) of FORM GSTR-3B may be used for filling up these details.
4I	Aggregate value of credit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
4J	Aggregate value of debit notes issued in respect of B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E) shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
4K & 4L	Details of amendments made to B to B supplies (4B), exports (4C), supplies to SEZs (4D) and deemed exports (4E), credit notes (4I), debit notes (4J) and refund vouchers shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.
5A	Aggregate value of exports (except supplies to SEZs) on which tax has not been paid shall be declared here. Table 6A of FORM GSTR-1 may be used for filling up these details.
5B	Aggregate value of supplies to SEZs on which tax has not been paid shall be declared here. Table 6B of GSTR-1 may be used for filling up these details.
5C	Aggregate value of supplies made to registered persons on which tax is payable by the recipient on reverse charge basis. Details of debit and credit notes are to be mentioned separately. Table 4B of FORM GSTR-1 may be used for filling up these details.

5D,5E and 5F	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here. Table 8 of FORM GSTR-1 may be used for filling up these details. The value of "no supply" shall also be declared here.
5H	Aggregate value of credit notes issued in respect of supplies declared in 5A,5B,5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
5I	Aggregate value of debit notes issued in respect of supplies declared in 5A,5B,5C, 5D, 5E and 5F shall be declared here. Table 9B of FORM GSTR-1 may be used for filling up these details.
5J & 5K	Details of amendments made to exports (except supplies to SEZs) and supplies to SEZs on which tax has not been paid shall be declared here. Table 9A and Table 9C of FORM GSTR-1 may be used for filling up these details.
5N	Total turnover including the sum of all the supplies (with additional supplies and amendments) on which tax is payable and tax is not payable shall be declared here. This shall also include amount of advances on which tax is paid but invoices have not been issued in the current year. However, this shall not include the aggregate value of inward supplies on which tax is paid by the recipient (i.e. by the person filing the annual return) on reverse charge basis.

4. Part III consists of the details of all input tax credit availed and reversed in the financial year for which the annual return is filed. The instructions to fill Part III are as follows:

Table No.	Instructions
6A	Total input tax credit availed in Table 4A of FORM GSTR-3B for the taxpayer would be auto-populated here.
6B	Aggregate value of input tax credit availed on all inward supplies except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details. This shall not include ITC which was availed, reversed and then reclaimed in the ITC ledger. This is to be declared separately under 6(H) below.
6C	Aggregate value of input tax credit availed on all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(3) of FORM GSTR-3B may be used for filling up these details.

6D	Aggregate value of input tax credit availed on all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs, capital goods and input services. Table 4(A)(3) of FORM GSTR-3B may be used for filling up these details.
6E	Details of input tax credit availed on import of goods including supply of goods received from SEZs shall be declared here. It may be noted that the total ITC availed is to be classified as ITC on inputs and capital goods. Table 4(A)(1) of FORM GSTR-3B may be used for filling up these details.
6F	Details of input tax credit availed on import of services (excluding inward supplies from SEZs) shall be declared here. Table 4(A)(2) of FORM GSTR-3B may be used for filling up these details.
6G	Aggregate value of input tax credit received from input service distributor shall be declared here. Table 4(A)(4) of FORM GSTR-3B may be used for filling up these details.
6H	Aggregate value of input tax credit availed, reversed and reclaimed under the provisions of the Act shall be declared here.
6J	The difference between the total amount of input tax credit availed through FORM GSTR-3B and input tax credit declared in row B to H shall be declared here. Ideally, this amount should be zero.
6K	Details of transition credit received in the electronic credit ledger on filing of FORM GST TRAN-I including revision of TRAN-I (whether upwards or downwards), if any shall be declared here.
6L	Details of transition credit received in the electronic credit ledger after filing of FORM GST TRAN-II shall be declared here.
6M	Details of ITC availed but not covered in any of heads specified under 6B to 6L above shall be declared here. Details of ITC availed through FORM ITC01 and FORM ITC-02 in the financial year shall be declared here.
7A, 7B, 7C, 7D, 7E, 7F, and 7G 7H	Details of input tax credit reversed due to ineligibility or reversals required under rule 37, 39,42 and 43 of the CGST Rules, 2017 shall be declared here. This column should also contain details of any input tax credit reversed under Section 17(5) of the CGST Act, 2017 and details of ineligible transition credit claimed under FORM GST TRAN-I or FORM GST TRAN-II and then subsequently reversed. Table 4(B) of FORM GSTR-3B may be used for filling up these details. Any ITC reversed through FORM ITC -03 shall be declared in 7H.
8A	The total credit available for inwards supplies (other than imports and inwards

	supplies liable to reverse charge but includes services received from SEZs) received during 2017-18 and reflected in FORM GSTR-2A (table 3 & 5 only) shall be auto-populated in this table. This would be the aggregate of all the input tax credit that has been declared by the corresponding suppliers in their FORM GSTR-I.
8B	The input tax credit as declared in Table 6B and 6H shall be auto-populated here.
8C	Aggregate value of input tax credit availed on all inward supplies (except those on which tax is payable on reverse charge basis but includes supply of services received from SEZs) received during July 2017 to March 2018 but credit on which was availed between April to September 2018 shall be declared here. Table 4(A)(5) of FORM GSTR-3B may be used for filling up these details.
8E & 8F	Aggregate value of the input tax credit which was available in FORM GSTR2A (table 3 & 5 only) but not availed in any of the FORM GSTR-3B returns shall be declared here. The credit shall be classified as credit which was available and not availed or the credit was not availed as the same was ineligible. The sum total of both the rows should be equal to difference in 8D.
8G	Aggregate value of IGST paid at the time of imports (including imports from SEZs) during the financial year shall be declared here.
8H	The input tax credit as declared in Table 6E shall be auto-populated here.
8K	The total input tax credit which shall lapse for the current financial year shall be computed in this row.

5. Part IV is the actual tax paid during the financial year. Payment of tax under Table 6.1 of FORM GSTR-3B may be used for filling up these details.
6. Part V consists of particulars of transactions for the previous financial year but declared in the returns of April to September of current FY or date of filing of Annual Return for previous financial year (for example in the annual return for the FY 2017-18, the transactions declared in April to September 2018 for the FY 2017-18 shall be declared), whichever is earlier. The instructions to fill Part V are as follows:

Table No.	Instructions
10 & 11	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 9A, Table 9B and Table 9C of FORM GSTR-1 of April to September of the current financial year or date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.
12	Aggregate value of reversal of ITC which was availed in the previous financial

	year but reversed in returns filed for the months of April to September of the current financial year or date of filing of Annual Return for previous financial year, whichever is earlier shall be declared here. Table 4(B) of FORM GSTR-3B may be used for filling up these details.
13	Details of ITC for goods or services received in the previous financial year but ITC for the same was availed in returns filed for the months of April to September of the current financial year or date of filing of Annual Return for the previous financial year whichever is earlier shall be declared here. Table 4(A) of FORM GSTR-3B may be used for filling up these details.

7. Part VI consists of details of other information. The instructions to fill Part VI are as follows:

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand as declared in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.
16A	Aggregate value of supplies received from composition taxpayers shall be declared here. Table 5 of FORM GSTR-3B may be used for filling up these details.
16B	Aggregate value of all deemed supplies from the principal to the job-worker in terms of sub-section (3) and sub-section (4) of Section 143 of the CGST Act shall be declared here.
16C	Aggregate value of all deemed supplies for goods which were sent on approval basis but were not returned to the principal supplier within one eighty days of such supply shall be declared here.
17 & 18	Summary of supplies effected and received against a particular HSN code to be reported only in this table. It will be optional for taxpayers having annual turnover upto ₹ 1.50 Cr. It will be mandatory to report HSN code at two digits

	level for taxpayers having annual turnover in the preceding year above ₹ 1.50 Cr but upto ₹ 5.00 Cr and at four digits' level for taxpayers having annual turnover above ₹ 5.00 Cr. UQC details to be furnished only for supply of goods. Quantity is to be reported net of returns. Table 12 of FORM GSTR1 may be used for filling up details in Table 17.
19	Late fee will be payable if annual return is filed after the due date.

Appendix 3

(Reference - CHAPTER 2 (SECTION I))

FORM GSTR-9A (See rule 80) Annual Return (For Composition Taxpayer)							
Pt. I	Basic Details						
1	Financial Year						
2	GSTIN						
3A	Legal Name	<Auto>					
3B	Trade Name (if any)	<Auto>					
4	Period of composition scheme during the year (From ---- To ----)						
5	Aggregate Turnover of Previous Financial Year						
(Amount in ₹ in all tables)							
Pt. II	Details of outward and inward supplies declared in returns filed during the financial year						
	Description	Turnover	Rate of Tax	Central Tax	State / UT Tax	Integrated tax	Cess
	1	2	3	4	5	6	7
6	Details of Outward supplies on which tax is payable as declared in returns filed during the financial year						
A	Taxable						
B	Exempted, Nil-rated						
C	Total						
7	Details of inward supplies on which tax is payable on reverse charge basis (net of debit/credit notes) declared in returns filed during the financial year						

	Description	Taxable Value	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
A	Inward supplies liable to reverse charge received from registered persons					
B	Inward supplies liable to reverse charge received from unregistered persons					
C	Import of services					
D	Net Tax Payable on (A), (B) and (C) above					
8	Details of other inward supplies as declared in returns filed during the financial year					
A	Inward supplies from registered persons (other than 7A above)					
B	Import of Goods					
Pt. III	Details of tax paid as declared in returns filed during the financial year					
9	Description	Total tax payable		Paid		
	1	2		3		
	Integrated Tax					
	Central Tax					
	State/UT Tax					
	Cess					

	Interest					
	Late fee					
	Penalty					
Pt. IV	Particulars of the transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY whichever is earlier					
	Description	Turnover	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
10	Supplies / tax (outward) declared through Amendments (+) (net of debit notes)					
11	Inward supplies liable to reverse charge declared through Amendments (+) (net of debit notes)					
12	Supplies / tax (outward) reduced through Amendments (-) (net of credit notes)					
13	Inward supplies liable to reverse charge reduced through Amendments (-) (net of credit notes)					
14	Differential tax paid on account of declaration made in 10, 11, 12 & 13 above					
	Description	Payable		Paid		
	1	2		3		
	Integrated Tax					
	Central Tax					
	State/UT Tax					

	Cess							
	Interest							
Pt. V	Other Information							
15	Particulars of Demands and Refunds							
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess	Interest	Penalty	Late Fee / Others
	1	2	3	4	5	6	7	8
A	Total Refund claimed							
B	Total Refund sanctioned							
C	Total Refund Rejected							
D	Total Refund Pending							
E	Total demand of taxes							
F	Total taxes paid in respect of E above							
G	Total demands pending out of E above							

16	Details of credit reversed or availed				
	Description	Central Tax	State Tax / UT Tax	Integrated Tax	Cess
	1	2	3	4	5
A	Credit reversed on opting in the composition scheme (-)				
B	Credit availed on opting out of the composition scheme (+)				
17	Late fee payable and paid				
	Description	Payable		Paid	
	1	2		3	
A	Central Tax				
B	State Tax				

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Place

Signature

Name of Authorised Signatory

Date

Designation / Status

Instructions:

1. The details for the period from July 2017 to March 2018 shall be provided in this return.
2. Part I consists of basic details of taxpayer. The instructions to fill Part I are as follows :

Table No.	Instructions
5	Aggregate turnover for the previous financial year is the turnover of the financial year previous to the year for which the return is being filed. For example for the annual return for FY 2017-18, the aggregate turnover of FY 2016-17 shall be entered into this table. It is the sum total of turnover of all taxpayers registered on the same PAN.

Part II consists of the details of all outward and inward supplies in the financial year for which the annual return is filed. The instructions to fill Part II are as follows:

Table No.	Instructions
6A	Aggregate value of all outward supplies net of debit notes / credit notes, net of advances and net of goods returned for the entire financial year shall be declared here. Table 6 and Table 7 of FORM GSTR-4 may be used for filling up these details.
6B	Aggregate value of exempted, Nil Rated and Non-GST supplies shall be declared here.
7A	Aggregate value of all inward supplies received from registered persons on which tax is payable on reverse charge basis shall be declared here. Table 4B, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.
7B	Aggregate value of all inward supplies received from unregistered persons (other than import of services) on which tax is payable on reverse charge basis shall be declared here. Table 4C, Table 5 and Table 8A of FORM GSTR-4 may be used for filling up these details.
7C	Aggregate value of all services imported during the financial year shall be declared here. Table 4D and Table 5 of FORM GSTR-4 may be used for filling up these details.
8A	Aggregate value of all inward supplies received from registered persons on which tax is payable by the supplier shall be declared here. Table 4A and Table 5 of FORM GSTR-4 may be used for filling up these details.
8B	Aggregate value of all goods imported during the financial year shall be declared here.

- Part IV consists of the details of amendments made for the supplies of the previous financial year in the returns of April to September of the current FY or date of filing of Annual Return for previous financial year (for example in the annual return for the FY 2017-18, the transactions declared in April to September 2018 for the FY 2017-18 shall be declared), whichever is earlier. The instructions to fill Part V are as follows:

Table No.	Instructions
10,11,12,13 and 14	Details of additions or amendments to any of the supplies already declared in the returns of the previous financial year but such amendments were furnished in Table 5 (relating to inward supplies) or Table 7 (relating to outward supplies) of FORM GSTR- 4 of April to September of the current financial year or upto the date of filing of Annual Return for the previous financial year, whichever is earlier shall be declared here.

4. Part V consists of details of other information. The instruction to fill Part V are as follows:

Table No.	Instructions
15A, 15B, 15C and 15D	Aggregate value of refunds claimed, sanctioned, rejected and pending for processing shall be declared here. Refund claimed will be the aggregate value of all the refund claims filed in the financial year and will include refunds which have been sanctioned, rejected or are pending for processing. Refund sanctioned means the aggregate value of all refund sanction orders. Refund pending will be the aggregate amount in all refund application for which acknowledgement has been received and will exclude provisional refunds received. These will not include details of non-GST refund claims.
15E, 15F and 15G	Aggregate value of demands of taxes for which an order confirming the demand has been issued by the adjudicating authority has been issued shall be declared here. Aggregate value of taxes paid out of the total value of confirmed demand in 15E above shall be declared here. Aggregate value of demands pending recovery out of 15E above shall be declared here.
16A	Aggregate value of all credit reversed when a person opts to pay tax under the composition scheme shall be declared here. The details furnished in FORM ITC-03 may be used for filling up these details.
16B	Aggregate value of all the credit availed when a registered person opts out of the composition scheme shall be declared here. The details furnished in FORM ITC-01 may be used for filling up these details.
17	Late fee will be payable if annual return is filed after the due date.”;

11. In the said rules, in **FORM GST EWB-01**, in the Notes, in serial number 7, in the Table, against Code 4 in the first column, for the letters and word “SKD or CKD” in the second column, the letters and words “SKD or CKD or supply in batches or lots” shall be substituted.

[F. No. 349/58/2017-GST (Pt.)]

(Dr. Sreeparvathy S.L)

Under Secretary to the Government of India

Note:- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide notification No. 3/2017-Central Tax, dated the 19th June, 2017, published vide number G.S.R 610 (E), dated the 19th June, 2017 and last amended vide notification No. 29/2018-Central Tax, dated the 6th July, 2018, published vide number G.S.R 611 (E), dated the 6th July, 2018.

Appendix 4

(Reference - CHAPTER 2)

GSTR 9C

See rule 80(3)

PART – A - Reconciliation Statement

Pt. I	Basic Details		
1	Financial Year		
2	GSTIN		
3A	Legal Name	< Auto >	
GSTR 3B	Trade Name (if any)	< Auto >	
4	Are you liable to audit under any Act?		<< Please specify >>
		(Amount in ₹ in all tables)	
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
6	Reasons for Un - Reconciled difference in Annual Gross Turnover		
A	Reason 1	<< Text >>	
B	Reason 2	<< Text >>	
C	Reason 3	<< Text >>	
7	Reconciliation of Taxable Turnover		
A	Annual turnover after adjustments (from 5P above)		< Auto >
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover		
C	Zero rated supplies without payment of tax		
D	Supplies on which tax is to be paid by the recipient on reverse charge basis		
E			
F	Taxable turnover as per adjustments above (A-B-C-D)		< Auto >
	Taxable turnover as per liability declared in Annual Return (GSTR9)		
G	Unreconciled taxable turnover (F-E)		AT 2

8	Reasons for Un - Reconciled difference in taxable turnover					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
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 / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
I	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		< Auto >	< Auto >	< Auto >	< Auto >
Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of amount			PT 1		

10	Reasons for un-reconciled payment of amount					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
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 tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					
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)					
B	ITC booked in earlier Financial Years claimed in current Financial Year				(+)	
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years				(-)	

D	ITC availed as per audited financial statements or books of account	< Auto >		
E	ITC claimed in Annual Return (GSTR9)			
F	Un-reconciled ITC	ITC 1		
13	Reasons for un-reconciled difference in ITC			
A	Reason 1	<< Text >>		
B	Reason 2	<< Text >>		
C	Reason 3	<< Text >>		
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	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods			
E	(Including received from			
F	SEZs)			
G	Rent and Insurance			
	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
	Royalties			
H	Employees' Cost			
I	(Salaries, wages, Bonus etc.)			
J				
K	Conveyance charges			
L	Bank Charges			
M	Entertainment charges			
	Stationery Expenses (including postage etc.)			

	Repair and Maintenance					
N	Other Miscellaneous expenses					
O	Capital goods					
P	Any other expense 1					
Q	Any other expense 2					
R	Total amount of eligible ITC availed			<>		
S	ITC claimed in Annual Return (GSTR9)					
T	Un-reconciled ITC			ITC 2		
15	Reasons for un - reconciled difference in ITC					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)					
	Description	Amount Payable				
	Central Tax					
	State/UT Tax					
	Integrated Tax					
	Cess					
	Interest					
	Penalty					
Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			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					
	Any other amount paid for supplies not included in Annual Return (GSTR 9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (Pl. specify)					

Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

******(Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Date:

Membership No

Full address

Instructions:

1. Terms used:
 - (a) GSTIN: Goods and Services Tax Identification Number
2. The details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately.
3. The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.
4. Part II consists of reconciliation of the annual turnover declared in the audited Annual Financial Statement with the turnover as declared in the Annual Return furnished in FORM GSTR-9 for this GSTIN. The instructions to fill this part are as follows :-

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
5B	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here. (For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.

5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here.
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.
5L	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under Section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.
5N	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.
5O	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared

	here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7C	Value of zero rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.
7F	Taxable turnover as declared in Table 4N of the Annual Return (GSTR9) shall be declared here.
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

5. Part III consists of reconciliation of the tax payable as per declaration in the reconciliation statement and the actual tax paid as declared in Annual Return (GSTR9). The instructions to fill this part are as follows :-

Table No.	Instructions
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled –RCII, supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.

9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

6. Part IV consists of reconciliation of Input Tax Credit (ITC). The instructions to fill Part IV are as under:-

Table No.	Instructions
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities, will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here.
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table 12E) availed in the Annual Return (GSTR9) shall be specified here.

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.
14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table.
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

7. Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.
8. Towards, the end of the reconciliation statement taxpayers shall be given an option to pay their taxes as recommended by the auditor.

PART – B- CERTIFICATION

I. Certification in cases where the reconciliation statement (GSTR 9C) is drawn up by the person who had conducted the audit:

* I/we have examined the-

- (a) balance sheet as on
- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and
- (c) the cash flow statement for the period beginning fromto ending on, - attached herewith, of M/s (Name), (Address),(GSTIN).

2. Based on our audit I/we report that the said registered person-

*has maintained the books of accounts, records and documents as required by the IGST/CGST/(<>)GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/(<>)GST Act, 2017 and the rules/notifications made/issued thereunder:

1.

2.

3.

3. (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....

.....

3. (b) *I/we further report that, -

(A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

(B) In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from*my/ our examination of the books.

(C) I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand
**..... additional place of business within the State.

4. The documents required to be furnished under Section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act is annexed herewith in Form No. GSTR 9C.

5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No. GSTR 9C are true and correct subject to following observations/qualifications, if any:

(a)

(b)

(c)

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Date:

Membership No

Full address

II. Certification in cases where the reconciliation statement (GSTR 9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

*I/we report that the audit of the books of accounts and the financial statements of M/s.

..... (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of theAct, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-

- (a) balance sheet as on
- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on,
- (c) the cash flow statement for the period beginning fromto ending on, and
- (d) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. I/we report that the said registered person-

*has maintained the books of accounts, records and documents as required by the IGST/CGST/.....GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/.....GST Act, 2017 and the rules/notifications made/issued thereunder:

- 1.
- 2.
- 3.

3. The documents required to be furnished under Section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act is annexed herewith in Form No. GSTR 9C.

4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form GSTR 9C are true and correct subject to the following observations/qualifications, if any:

- (a)

(b)

(c)

**(Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Date:

Membership No

Full address

Notes 1. Inserted vide Notification No. 49/2018 – Central Tax dated 13-09-2018

Appendix 5

(Reference - CHAPTER 2 (SECTION I)

COUNCIL'S RESOLUTION ON PART TIME PRACTICE

"It is further resolved that the general and specific permission granted by the Council is subject to the condition that –

- (i) any member engaged in any other business or occupation, in terms of general or specific permission granted as per Appendix No.{9} given above shall not be entitled to perform any attest function. However, a member engaging in any of following area(s), in terms of the specific or general permission so granted, shall be entitled to perform attest function- :
 - (a) *Authorship of books and articles.*
 - (b) Holding of Life Insurance Agency license for the limited purpose of getting renewal commission.
 - (c) Attending classes and appearing for any examination.
 - (d) Holding of public elective offices such as M.P., M.L.A. and M.L.C.
 - (e) Honorary office-bearer ship of charitable, educational or other non-commercial organisations.
 - (f) Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.
 - (g) Part-time tutorship under the Coaching Organisation of the Institute.
 - (h) Valuation of papers, acting as paper-setter, head-examiner or a moderator for any examination.
 - (i) Editorship of professional journals- {not in employment}
 - (j) Acting as surveyor and loss Assessor under the Insurance Act, 1938- {not in employment}.
 - (k) Acting as Recovery consultant in the Banking Sector – {not in employment}.
 - (l) Any coaching assignment organized by the institute, its Regional Councils and branches of Regional Councils.
 - (m) Engagement as Lecturer in as University, affiliated college, educational institution, coaching organization, private tutorship, provided the direct teaching hours devoted to such activities taken together do not exceed 25 hours a week.
 - (n) Engagement in any other business or occupation permitted by the Executive Committee from time to time.

- (ii) A member who is not entitled to perform attest function shall not be entitled to train articled clerks.
- (iii) The decision (of the council) taken at its 223rd meeting held in February 2002 prescribing the criteria for individual cases of articleship shall to be operation, Mutatis mutandis."

The Council in this connection also clarified that the Attest function for the purpose of this Resolution would cover services pertaining to audit, review, certification, agreed upon procedures, and compilation, as defined in the framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services published in the July,2001 issue of the Institute's Journal.

The Council also decided that aforesaid resolution, as passed by it, be incorporated as a part of and continuation of the existing resolution [under Regulation 190A, which appears as Appendix No. 9 to the Chartered Accountants Regulations, 1988(2002 Edition)].

Appendix 6

(Reference - CHAPTER 2)

Disclosure of substantial interest

Relevant extract from the code of Ethics, 10th, Edition, January 2005 pages 197-201

Clause (4) : expresses his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has a substantial interest, unless he discloses the interest also in his report;

If the opinion of the auditors is to command respect and the confidence of the public, it is essential that they must disclose everything that is likely to affect their independence. Since financial interest in the business can be one of the important factors which may disturb independence, the clause provides that the existence of such an interest direct or indirect should be disclosed. This is intended to assure the public as regards the faith and confidence that could be reposed on the independent opinion expressed by the auditors.

The words “financial statements” used in this clause would cover both reports and certificates usually given after an examination of the accounts or the financial statement or any attest function under any statutory enactment or for purpose of income-tax assessments. This would not, however, apply to cases where such statements are prepared by members in employment purely for the information of their respective employers in the normal course of their duties and not meant to be submitted to any outside authority.

Public conscience is expected to be ahead of the law. Members, therefore, are expected to interpret the requirements as regards independence much more strictly than what the law requires and should not place themselves in positions which would either compromise or jeopardize their independence.

Member must take care to see that they do not land themselves in situations where there could be conflict of interest and duty. For example, where a Chartered Accountant is appointed the Liquidator of a Company, he should not qua a Chartered Accountant himself, audit the Statement of Accounts to be filed under Section 551(1) of the Companies Act, 1956. The audit in such circumstances should be done by a Chartered Accountant other than the one who is the Liquidator of the Company.

In this connection, the Council has decided not to permit a Chartered Accountant in employment to certify the financial statements of the concern in which he is employed, or of a concern under the same management as the concern in which he is employed, even though he holds a certificate of practice and that such certification can be done by any Chartered Accountant in practice. This restriction would not however apply where the certification is permitted by any law; e.g., Section 228(iv) of the Companies Act, 1956 and the Companies

(Branch Audit Examination) Rules made thereunder. The Council has also decided that a Chartered Accountant should not by himself or in his firm name:

- (i) accept the audit of a college, if he is working as a part-time lecturer in the college.
- (ii) accept the audit of a trust where his partner is either an employee or a trustee of the trust.

The Council has, in this connection, issued the following guidelines:

Attention of the members is invited to the provisions of Clause (4) of Part I of the Second Schedule to the Chartered Accountant Act which provides that a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he expresses his opinion on financial statements of any business or any business or any enterprise in which he, his firm or a partner in his firm has a substantial interest, unless he discloses his interest also in his report.

Many new areas of professional work have been added, e.g., Tax Audit, Concurrent Audit of Banks, Concurrent Audit of Borrowers of Financial institutions, Audit of non-corporate borrowers of banks and financial institutions, audit of stock exchange, brokers etc. The Council wishes to emphasize that the aforesaid requirement Clause (4) is equally applicable while performing all types of functions by the members. Some of the situations which may arise in the applicability of Clause (4) are discussed below for the guidance of members:

1. Where the member, his firm or his partner or his relative has substantial interest in the business or enterprises

The independence of mind is a fundamental concept of audit and/or expression of opinion on the financial statements in any form and, therefore, must always be maintained. Nothing can substitute for the essential and fundamental requirements of independence. Therefore, the Council's views are clarified in the following circumstances.

(i) An enterprises/concern of which a member is either an owner or a partner

The holding of interest in the business enterprise by a member himself whether as sole-proprietor or partner in a firm, in the opinion of the Council, would affect his independence of mind in the performance of professional duties in conducting the audit and/or expressing an opinion on the financial statement of such an enterprise. Therefore, a member should not audit the financial statements of such business or enterprise.

(ii) Where the partner or relative of a member has substantial interest

The holding of substantial interest by the partner or relative of the member in the business or enterprise of which the audit is to be carried out and opinion is to be expressed on the financial statement, may also affect the independence of mind of the member, in the opinion of Council, in the performance of professional duties. Therefore,

the member may, for the same reasons as not to compromise his independence, desist from undertaking the audit of financial statements of such business or enterprise. However, where a member undertakes the audit of such business or enterprise, he should disclose such interest in his report while expressing his opinion on the financial statements of such business or enterprise.

2. Where the member or his partner or relative is a director or in the employment of an officer or an employee of the Company

Section 226 of the Companies Act specifically prohibits a member from auditing the accounts of a Company in which he is a director or in the employment of an officer or an employee of the Company. Although the provisions of the aforesaid section are not specifically applicable in the context of audits performed under other statutes, yet the underlying principle of independence of mind is equally applicable in those situations also. Therefore, the Council's views are clarified in the following situations.—

(i) Where a member is a director

In cases where the member is a director of a Company the financial statements of which are to be audited and/or opinion is to be expressed, he should not undertake such a job and/or express opinion on the financial statements of that Company.

(ii) Where a partner or relative of the member is a director in the Company who has a substantial interest.

In such cases for the reason as not to compromise with the independence of mind, the member may desist from undertaking the audit of financial statements and/or expression of opinion thereon. However, if a member feels that his independence is not affected and undertakes the audit of such Company, he should disclose such interest in his report while expressing his opinion on the financial statement of such Company.

The meaning of the words “relative” and “substantial interest” shall be the same as are contained in the Resolution passed by the Council in pursuance to Regulation, 190A of the Chartered Accountants Regulations, 1988, (Appendix 9).

An accountant is expected to be no less independent in the discharge of his duties as a tax consultant or a financial adviser than as auditor. In fact, it is necessary that he should bear the same degree of integrity and independence of mind in all spheres of his work. Unless this is done, the accounts of Companies audited by Chartered Accountants or statements made by them during the course of assessment proceedings would not be relied upon as correct by the authorities.

The Council has clarified that the members are not permitted to write the books of account of their auditee clients.

A statutory auditor of a Company cannot also be its internal auditor, as it will not be

possible for him to give independent and objective report issued under sub-section 4A of Section 227 of the Companies Act read with the Manufacturing and other Companies (Auditors Report) Order, 1988.

A member should satisfy himself before accepting an appointment as an auditor of an entity that his appointment is in accordance with the statute governing the entity. In case the entity is constituted under a trust deed/ instrument, the member should satisfy whether his appointment is valid according to the instrument constituting the entity and rules and regulations made thereunder. In case the appointment is to be authorized by the regulatory authorities such as in the case of co-operative societies, trusts etc. then the member must satisfy whether such regulatory authorities have authorised the managing committee of the society/trust for appointment of the auditors. In a case where any entity is being managed by Managing Committee or Board of Trustees or Board of Governors by whatever name called he should ensure that his appointment is duly made by a resolution passed by such Managing Committee or Board of Trustees or Board of Governors. Even in the case of a partnership or sole proprietary concerns, the member must ensure that a letter of appointment/engagement is given by the firm/sole proprietor before he accepts the appointment/ engagement.

Appendix 7

(Reference - CHAPTER 2 (SECTION I))

Professional Ethics & Misconduct

Introduction

1.1 Section 2(1)(b) of the Chartered Accountants Act, 1949 enables members of the ICAI to engage, inter alia, in the services involving auditing. Accordingly, as in other Audits, the members of the Institute in practice, either individually, or in partnership with other chartered accountants, may engage in Audit under the CGST Act.

1.2 Audit being an attest function, members are not permitted to engage in other occupation or business while doing Audit, with the exception of activities mentioned in the Resolution of the Council made at its 242nd Meeting held in May, 2004. The said Resolution forms part of Appendix (9) to The Chartered Accountants Regulations, 1988.

1.3 Members of the Institute are required to comply with various ethical provisions, while rendering Audit under the CGST Act. Non-compliance with the same may make them liable for professional misconduct.

Professional Misconduct

1.4 As per Section 22 of The Chartered Accountants Act, the expression "Professional or other misconduct" shall be deemed to include any act or omission provided in any of the Schedules to the Act, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of Section 21 to enquire into the conduct of any member of the Institute under any other circumstances.

1.5 A member is liable for disciplinary action under Section 21 of the Chartered Accountants Act if he is found guilty of any professional or "other misconduct". This provision empowers the Director (Discipline) to enquire into any conduct of a member under any other circumstance. This is considered necessary because a Chartered Accountant is expected to maintain the highest standards and integrity even in his/her personal affairs and any deviation from these standards, would expose him/ her to disciplinary action.

Compliance with the Code of Ethics

1.6 A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of the Chartered Accountants Act, 1949 or the regulations made thereunder, or any guidelines issued by the Council.

1.7 The Part-A of Code of Ethics, 2009, which is based on provisions of International Ethics Standards Board of Accountants (IESBA) Code of Ethics, has been issued as a Guideline of the Council. The provisions of Part-B of Code of Ethics are based on the domestic provisions, including the Chartered Accountants Act, 1949, Chartered Accountants Regulations, 1988, Guidelines of the Council, Case law, etc. Accordingly, the non-compliance of provisions of the Code may result in professional misconduct.

1.8 Some of the relevant provisions of the Code of Ethics are being reproduced here. For detailed guidance, members should refer to the Code of Ethics.

Fundamental Principles

1.9 The Code of Ethics lists the Fundamental principles to be followed by the members:-

(a) Integrity

A chartered accountant should be straightforward and honest in all professional and business relationships.

(b) Objectivity

A chartered accountant should not allow bias, conflict of interest or undue influence of others to override professional judgments.

(c) Professional Competence and Due Care

A chartered accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation, and techniques. A chartered accountant should act diligently and in accordance with the applicable technical and professional standards while providing professional services.

(d) Confidentiality

A chartered accountant should respect the confidentiality of information acquired as a result of professional and employment relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and employment relationships should not be used for the personal advantage of the chartered accountant or third parties.

(e) Professional Behaviour

A chartered accountant should comply with the relevant laws and regulations and should avoid any action that discredits the profession.

Conceptual Framework Approach

1.10 The Code of Ethics describes the Conceptual Framework Approach. The circumstances in which chartered accountants operate may give rise to specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates such threats and specify the appropriate mitigating action. In addition, the nature of engagements and work assignments may differ, and consequently different threats may exist requiring the application of different safeguards. A conceptual framework that requires a chartered accountant to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a set of specific rules which may be arbitrary, is, therefore, in the public interest. This Code provides a framework to assist a chartered accountant to identify, evaluate and respond to threats to compliance with the fundamental principles. If identified threats are other than clearly insignificant, a chartered accountant should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable level, such that compliance with the fundamental principles is not compromised.

1.11 A chartered accountant has an obligation to evaluate any threats to compliance with the fundamental principles when the chartered accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.

1.12 A chartered accountant should take qualitative as well as quantitative factors into account when considering the significance of a threat. If a chartered accountant cannot implement appropriate safeguards, the chartered accountant should decline or discontinue the specific professional service with which s/he is involved, or where necessary resign from the client.

Threats and Safeguards

1.13 Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- (a) Self-interest threats, which may occur as a result of the financial or other interests of a chartered accountant or of a relative;
- (b) Self-review threats, which may occur when a previous judgment needs to be re-evaluated by the chartered accountant responsible for that judgment;
- (c) Advocacy threats, which may occur when a chartered accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;
- (d) Familiarity threats, which may occur when, because of a relationship, a chartered accountant becomes too sympathetic to the interests of others; and
- (e) Intimidation threats, which may occur when a chartered accountant may be deterred from acting objectively by threats, actual or perceived.

1.14 Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:

- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

1.15 Safeguards created by the profession, legislation or regulation include, but are not restricted to:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements.
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by a chartered accountant.

1.16 The nature of the safeguards to be applied will vary depending on the circumstances. In exercising professional judgment, a chartered accountant should consider what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would conclude to be unacceptable.

1.17 In evaluating compliance with the fundamental principles, a chartered accountant may be required to resolve a conflict in the application of fundamental principles.

1.18 When initiating either a formal or informal conflict resolution process, a chartered accountant should consider the following, either individually or together with others, as part of the resolution process:

- (a) Relevant facts;
- (b) Ethical issues involved;
- (c) Fundamental principles related to the matter in question;
- (d) Established internal procedures; and
- (e) Alternative courses of action.

Having considered these issues, a chartered accountant should determine the appropriate course of action that is consistent with the fundamental principles identified. The chartered accountant should also weigh the consequences of each possible course of action. If the matter remains unresolved, the chartered accountant should consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, an organization, a chartered accountant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

1.19 It may be in the best interests of the chartered accountant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

1.20 If a significant conflict cannot be resolved, a chartered accountant may wish to obtain professional advice from the relevant professional body or legal advisors, and thereby obtain guidance on ethical issues without breaching confidentiality. For example, a chartered accountant may have encountered a fraud, the reporting of which could breach the chartered accountant's responsibility to respect confidentiality. The chartered accountant should consider obtaining legal advice to determine whether there is a requirement to report.

1.21 If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a chartered accountant should, where possible, refuse to remain associated with the matter creating the conflict. The chartered accountant may determine that, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement or the firm .

1.22 A chartered accountant in practice may also find the specific circumstances give rise to unique threats to compliance with one or more of the fundamental principles. Such unique threats obviously cannot be categorized. In either professional or employment relationships, a chartered accountant in practice should always be on the alert for such circumstances and threats.

1.23 Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:

- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

1.24 In the work environment, the relevant safeguards will vary depending on the circumstances. Work environment safeguards comprise firm-wide safeguards and engagement specific safeguards.

Client Acceptance

1.25 Before accepting a new client relationship, a chartered accountant in practice should consider whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour may be created from, for example, questionable issues associated with the client (its owners, management and activities).

1.26 Members are required to comply with the ICAI Know Your Client (KYC) Norms, while accepting an assignment of the GST Audit. The Council has formulated the Know Your Client

(KYC) norms at its 356th Meeting held on 29th, 30th June and 1st July, 2016. The norms are mandatory in nature and shall apply to all assignments pertaining to attest functions. These have come into effect for the assignments done on or after 1.1.2017.

Conflict of Interest

1.27 A chartered accountant in practice should take reasonable steps to identify circumstances that could pose a conflict of interest. Such circumstances may give rise to threats to compliance with the fundamental principles. For example, a threat to objectivity may be created when a chartered accountant in practice competes directly with a client or has a joint venture or similar arrangement with the major competitor of a client. A threat to objectivity or confidentiality may also be created when a chartered accountant in practice performs services for clients whose interests are in conflict or the clients are in dispute with each other in relation to the matter or transaction in question.

1.28 A chartered accountant in practice should evaluate the significance of any threats. Evaluation includes considering, before accepting or continuing a client relationship or specific engagement, whether the chartered accountant in practice has any business interests, or relationships with the client or a third party that could give rise to threats. If threats are other than clearly significant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

1.29 Depending upon the circumstances giving rise to the conflict, safeguards should ordinarily include the chartered accountant in practice:

- (a) Notifying the client of the firm's business interest or activities that may represent a conflict of interest, and obtaining their consent to act in such circumstances; or
- (b) Notifying all known relevant parties that the chartered accountant in practice is acting for two or more parties in respect of a matter where their respective interests are in conflict, and obtaining their consent to so act; or
- (c) Notifying the client that the chartered accountant in practice does not act exclusively for any one client in the provision of proposed services (for example, in a particular market sector or with respect to a specific service) and obtaining their consent to so act.

1.30 The following additional safeguards should also be considered:

- (a) The use of separate engagement teams; and
- (b) Procedures to prevent access to information (e.g., strict physical separation of such teams, confidential and secure data filing); and
- (c) Clear guidelines for members of the engagement team on issues of security and confidentiality; and
- (d) The use of confidentiality agreements signed by employees and partners of the firm; and

- (e) Regular review of the application of safeguards by a senior individual not involved with relevant client engagements.

1.31 Where a conflict of interest poses a threat to one or more of the fundamental principles, including objectivity, confidentiality or professional behaviour, that cannot be eliminated or reduced to an acceptable level through the application of safeguards, the chartered accountant in practice should conclude that it is not appropriate to accept a specific engagement or that resignation from one or more conflicting engagements is required.

1.32 Where a chartered accountant in practice has requested consent from a client to act for another party (which may or may not be an existing client) in respect of a matter where the respective interests are in conflict and that consent has been refused by the client, then they must not continue to act for one of the parties in the matter giving rise to the conflict of interest.

Independence

1.33 In the case of an assurance engagement it is in the public interest and, therefore, required by this Code of Ethics, that members of assurance teams, firms and, when applicable, network firms be independent of assurance clients.

1.34 **Independence requires:** The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

1.35 The use of the word "independence" on its own may create misunderstandings. Standing alone, the word may lead observers to suppose that a person exercising professional judgment ought to be free from all economic, financial and other relationships. This is impossible, as every member of society has relationships with others. Therefore, the significance of economic, financial and other relationships should also be evaluated in the light of what a reasonable and informed third party having knowledge of all relevant information would reasonably conclude to be unacceptable.

1.36 Many different circumstances, or combination of circumstances, may be relevant and accordingly it is impossible to define every situation that creates threats to independence and specify the appropriate mitigating action that should be taken. In addition, the nature of assurance engagements may differ, and consequently different threats may exist, requiring the application of different safeguards. A conceptual framework that requires firms and members of assurance teams to identify, evaluate and address threats to independence,

rather than merely comply with a set of specific rules which may be arbitrary, is, therefore, in the public interest.

Financial Interests

1.37 A financial interest in an assurance client may create a self-interest threat. In evaluating the significance of the threat, and the appropriate safeguards to be applied to eliminate the threat or reduce it to an acceptable level, it is necessary to examine the nature of the financial interest. This includes an evaluation of the role of the person holding the financial interest, the materiality of the financial interest and the type of financial interest (direct or indirect).

1.38 If a member of the assurance team, or his relative has a direct financial interest, or a material indirect financial interest in the assurance client, the self-interest threat created would be so significant the only safeguards available to eliminate the threat or reduce it to an acceptable level would be to:

- (a) Dispose of the direct financial interest prior to the individual becoming a member of the assurance team;
- (b) Dispose of the indirect financial interest in total or dispose of a sufficient amount of it so that the remaining interest is no longer material prior to the individual becoming a member of the assurance team; or
- (c) Remove the member of the assurance team from the assurance engagement.

Close Business Relationships

1.39 A close business relationship between a firm and a member of the assurance team and the assurance client or its management, or between the firm, a network firm and a financial statement audit client, will involve a commercial or common financial interest and may create self-interest and intimidation threats. The following are examples of such relationships:

- Having a material financial interest in a joint venture with the assurance client or a controlling owner, director, officer or other individual who performs senior managerial functions for that client.
- Arrangements to combine one or more services or products of the firm with one or more services or products of the assurance client and to market the package with reference to both parties.

In the case of a financial statement audit client, unless the financial interest is immaterial, and the relationship is clearly insignificant to the firm, the network firm and the audit client, no safeguards could reduce the threat to an acceptable level. In the case of an assurance client that is not a financial statement audit client, unless the financial interest is immaterial, and the relationship is clearly insignificant to the firm and the assurance client, no safeguards could reduce the threat to an acceptable level. Consequently, in both these circumstances the only possible courses of action are to:

- (a) Terminate the business relationship;
- (b) Reduce the magnitude of the relationship so that the financial interest is immaterial, and the relationship is clearly insignificant; or
- (c) Refuse to perform the assurance engagement.

Unless any such financial interest is immaterial, and the relationship is clearly insignificant to the member of the assurance team, the only appropriate safeguard would be to remove the individual from the assurance team.

Personal Relationships

1.40 Relationships between a member of the assurance team and a director, an officer or certain employees, depending on their role, of the assurance client, may create self-interest, familiarity or intimidation threats. It is impracticable to attempt to describe in detail the significance of the threats that such relationships may create. The significance will depend upon a number of factors including the individual's responsibilities on the assurance engagement, the relationship and role of the relative or other individual within the assurance client. Consequently, there is a wide spectrum of circumstances that will need to be evaluated and safeguards to be applied to reduce the threat to an acceptable level.

Employment with the client

1.41 A firm or a member of the assurance team's independence may be threatened if a director, an officer or an employee of the assurance client in a position to exert direct and significant influence over the subject matter information of the assurance engagement has been a member of the assurance team or partner of the firm. Such circumstances may create self-interest, familiarity and intimidation threats particularly when significant connections remain between the individual and his or her former firm. Similarly, a member of the assurance team's independence may be threatened when an individual participates in the assurance engagement knowing, or having reason to believe, that he or she is to, or may, join the assurance client sometime in the future.

Recent Service with the Client

1.42 To have a former officer, director or employee of the assurance client serve as a member of the assurance team may create self-interest, self-review and familiarity threats. This would be particularly true when a member of the assurance team has to report on, for example, subject matter information he or she had prepared or elements of the financial statements he or she had valued while with the assurance client.

No officer or employee of the client to be auditor

1.43 No person who is an officer or employee of an entity shall be qualified for appointment as auditor of that entity.

Provision of Non-assurance Services to the Client

1.44 Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Assurance clients value the benefits that derive from having these firms, which have a good understanding of the business, bring their knowledge and skill to bear in other areas. Furthermore, the provision of such non-assurance services will often result in the assurance team obtaining information regarding the assurance client's business and operations that is helpful in relation to the assurance engagement. The greater the knowledge of the assurance client's business, the better the assurance team will understand the assurance client's procedures and controls, and the business and financial risks that it faces. The provision of non-assurance services may, however, create threats to the independence of the firm, a network firm or the members of the assurance team, particularly with respect to perceived threats to independence. Consequently, it is necessary to evaluate the significance of any threat created by the provision of such services. In some cases, it may be possible to eliminate or reduce the threat created by application of safeguards. In other cases, no safeguards are available to reduce the threat to an acceptable level.

Writing books of Account

1.45 Members are not permitted to write the books of account of their auditee clients. Attention is invited to "Guidance Note on Independence of Auditors" in this regard.

Audit under the Companies Act

1.46 The Audit under the Companies Act and the Audit under the CGST Act may be undertaken simultaneously.

Tax Audit under the Income-tax Act, 1961

1.47 The Audit under Income-tax Act and the Audit under the CGST Act may be undertaken simultaneously.

Advisory Services

1.48 Advisory services, as mentioned under the ICAI Guidelines for Management Consultancy and other Services, and Regulation 191 of the Chartered Accountants Regulations, 1988, may be rendered along with Audit under the CGST Act.

Fees Overdue

1.49 A self-interest threat may be created if fees due from an assurance client for professional services remain unpaid for a long time, especially if a significant part is not paid before the issue of the assurance report for the following year. Generally, the payment of such fees should be required before the report is issued. The following safeguards may be applicable:

- Discussing the level of outstanding fees with the audit committee or others charged with governance.
- Involving an additional chartered accountant who did not take part in the assurance engagement to provide advice or review the work performed.

The firm should also consider whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed.

- Discussing the level of outstanding fees with the audit committee or others charged with governance.
- Involving an additional chartered accountant who did not take part in the assurance engagement to provide advice or review the work performed.

The firm should also consider whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed.

Pricing

1.50 When a firm obtains an assurance engagement at a significantly lower fee level than that charged by the predecessor firm, or quoted by other firms, the self-interest threat created will not be reduced to an acceptable level unless:

- (a) The firm is able to demonstrate that appropriate time and qualified staff are assigned to the task; and
- (b) All applicable assurance standards, guidelines and quality control procedures are being complied with.

Restriction on Fees

1.51 The fees which are based on a percentage of profits or which are contingent upon the findings, or results of such work, is not allowed except in cases which are permitted under Regulation 192 of The Chartered Accountants Regulations, 1988.

Gifts and Hospitality

1.52 Accepting gifts or hospitality from an assurance client may create self-interest and familiarity threats. When a firm or a member of the assurance team accepts gifts or hospitality, unless the value is clearly insignificant, the threats to independence cannot be reduced to an acceptable level by the application of any safeguard. Consequently, a firm or a member of the assurance team should not accept such gifts or hospitality.

PROFESSIONAL MISCONDUCT AND TWO SCHEDULES TO THE CHARTERED ACCOUNTANTS ACT, 1949**Persons to be allowed practice in own name**

1.53 A Chartered accountant shall be deemed to be guilty of professional misconduct if he allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him;

Bar on paying or receiving share with others

1.54 A Chartered accountant shall be deemed to be guilty of professional misconduct if he pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

1.55 A Chartered accountant shall be deemed to be guilty of professional misconduct if he accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute. However, nothing herein contained shall be construed as prohibiting a member from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications as may be prescribed.

Partnership to be only among members in practice

1.56 A Chartered accountant shall be deemed to be guilty of professional misconduct if he enters into partnership, in or outside India, with any person other than a chartered accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (v) of sub-section (1) of Section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships;

Restriction on categories from who services may be secured

1.57 A Chartered accountant shall be deemed to be guilty of professional misconduct if he secures, either through the services of a person who is not an employee of such chartered accountant or who is not his partner or by means which are not open to a chartered accountant, any professional business. However, nothing herein contained shall be construed as prohibiting any arrangement permitted in the items (2), (3) and (4) of Part-I of First Schedule to The Chartered Accountants Act;

Bar on solicitation

1.58 A Chartered accountant shall be deemed to be guilty of professional misconduct if he solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means. However, nothing herein contained shall be construed as preventing or prohibiting—

- (i) any chartered accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice;
- (ii) a member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence;

1.59 The government departments, government Companies/ corporations, courts, co-operative societies and banks and other similar institutions prepare panels of Chartered Accountants for allotment of audit and other professional work. Where the existence of such a panel is within the knowledge of a member, he is free to write to the concerned organization with a request to place his name on the panel. However, it would not be proper for the Chartered Accountant to make roving enquiries by applying to any such organization for having his name included in any such panel. It is permissible to quote fees on enquiries being received or respond to tenders from the organizations requiring professional services, which maintain such panel.

1.60 It is not permissible for a member to address letters or circulars to persons who are likely to require services of a Chartered Accountant since it would tantamount to advertisement.

Bar on advertisement of services except as may be allowed

1.61 A Chartered accountant shall be deemed to be guilty of professional misconduct if he advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognized by the Central Government or may be recognised by the Council. However, a member in practice may advertise through a write up, setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.

1.62 The Council has issued Advertisement Guidelines No. 1-CA (7)/Council Guidelines/01/2008 DT. 14.5.2008, vide which the members may advertise through a write up setting out their particulars or of their firms and services provided by them subject to the Guidelines, which must be presented in such a manner as to maintain the profession's good reputation, dignity and its ability to serve the public interest. The Member(s)/Firm(s) should

ensure that the contents of the Write up are true to the best of their knowledge and belief and are in conformity with these Guidelines and be aware that the Institute of Chartered Accountants of India does not own any responsibility whatsoever for such contents or claims by the Writer Member(s)/ Firm(s).

Mandatory communication with previous Auditor

1.63 A Chartered accountant shall be deemed to be guilty of professional misconduct if he accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing.

1.64 The requirement for communicating with the previous auditor being a Chartered Accountant in practice would apply to all types of audit, and accordingly applies to Audit under the CGST Act as well.

1.65 The existence of a dispute as regards the fees may be the root cause of an auditor being changed. This would not constitute valid professional reason on account of which an audit should not be accepted by the member to whom it is offered. However, in the case of an undisputed audit fees for carrying out the statutory audit under the CGST Act having not been paid, the incoming auditor should not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled. In this connection, attention of members is invited to the Council Guidelines No. 1-CA/ (7)/02/2008 dated 08.08.08. In the said guidelines, Council has explained that the provision for audit fee in accounts signed by both the auditee and the auditor shall be considered as "undisputed" audit fee and "sick unit" shall mean where the net worth is negative.

1.66 Existence of qualified report by the Previous Auditor is a valid professional reason for non-acceptance of the Audit assignment. However, in this case, he may accept the audit if he is satisfied that the attitude of the retiring auditor was not proper and justified. If, on the other hand, he feels that the retiring auditor had qualified the report for good and valid reasons, he should refuse to accept the audit. There is no rule, written or unwritten, which would prevent an auditor from accepting the appointment offered to him in these circumstances. However, before accepting the audit, he should ascertain the full facts of the case. For nothing will bring the profession to disrepute so much as the knowledge amongst the public that if an auditor is found to be "inconvenient" by the client, he could readily be replaced by another who would not displease the client and this point cannot be too over-emphasised.

1.67 Members should communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, communication by a letter sent "Registered Acknowledgement due" or by hand against a written acknowledgement would in the normal course provide such evidence.

1.68 A Chartered accountant shall be deemed to be guilty of professional misconduct if he charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulation made under this Act.

The Council has, vide the authority granted as above, framed Regulation 192 which exempts members from this rule in certain professional services.

Auditor not to engage in other business/occupation

1.69 A Chartered accountant shall be deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage. However, nothing contained herein shall disentitle a chartered accountant from being a director of a Company, (not being a managing director or a whole-time director), unless he or any of his partners is interested in such company as an auditor.

1.70 The Council has formulated Regulations 190A and 191, specifying the activities with which a member in practice can associate himself with or without the permission of the Council.

1.71 However, as mentioned in para 1.2 of this Guidance Note, the members in practice engaged in activities enlisted in Regulation 191 are deemed to be in part-time practice, and shall not be eligible to engage in Audit, with the exception of activities mentioned in the Resolution of Council made at its 242nd Meeting held in May 2004.

Not to disclose client information

1.72 A Chartered accountant shall be deemed to be guilty of professional misconduct if he discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force.

Auditor not to have substantial interest

1.73 A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has a substantial interest. In this context, "substantial interest" shall have the same meaning as assigned to it in the Appendix (9) to The Chartered Accountants Regulations, 1988.

Duty to exercise due diligence

1.74 A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.

Fees for other assignment not to exceed Audit Fees in certain clients

1.75 As per Chapter IX of Council General Guidelines, 2008, a member of the Institute in practice shall not accept the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year where he accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Indebtedness

1.76 As per Chapter X of Council General Guidelines, 2008, a member of the Institute in practice or a partner of a firm in practice or a firm shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding Rs. 10,000/-.

Unjustified Removal of Auditors

1.77 If the member engaged in Audit under the CGST Act feels that he has been unjustifiably removed by the client, he may file a complaint before the Ethical Standards Board, and the Ethical Standards Board can intervene in such cases. No other chartered accountant should accept the audit assignment if the removal of his predecessor is not on valid grounds.

Generally Accepted Audit procedure

1.78 The Clause (9) of Part-I of Second Schedule to The Chartered Accountants Act treats it as professional misconduct to fail to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances. What constitutes "generally accepted audit procedure" would depend upon the facts and circumstances of each case, but guidance is available from the various pronouncements of the Institute issued from time to time by way of quality control and engagement standards, statements, general clarifications, guidance notes and technical guides, practice manuals, studies and other papers.

Clarification as to whether Members doing the GST Audit are permitted to provide the below listed services

S. No.	Nature of Service being provided by Chartered Accountant	Whether members doing GST Audit are permitted/not	Reference to Standard /Council decision
1	Accounting without uploading of	Not permitted	<i>Guidance Note on the independence of Auditors</i> states as under:-

	returns		<i>"Members are not permitted to write the books of account of their auditee clients."</i>
2	Accounting uploading returns with of	Not permitted	Same as above
3	Accounting uploading verification with and	Not permitted	Same as above
4	Concurrent audit services	Not permitted	ESB at its 106 th meeting decided that Concurrent audit is a kind of internal audit.
5	Internal audit service	Not permitted	As per announcement dated. 27.9.2018
6	Tax advisory services	Permitted	107 th Meeting of ESB on 08.04.2009 decided that both statutory auditor and Internal Auditor can engage in tax advisory Services
7	Dispute resolution / representation services	Permitted	107 th Meeting of ESB held on 08.04.2009 inter alia decided that Tax Representation, can be done by both, internal auditor and statutory auditor
8	Tax audit services	Permitted	Both are statutory audits
9	Statutory audit services - Company Act, Co-operative audit etc.	Permitted	ESB at its 107 th Meeting held on 08.04.2009 decided that Tax Audit can be done by Statutory auditor
10	Bar on one partner vs. other Partner (If one partner of the firm is not permitted to do GST Audit then whether other partner can do the audit)	Bar will be on all partners in the firm.	

Appendix 8

(Reference - CHAPTER 2)

Professional misconduct- acceptance of other work in which appointed as Auditor

NOTIFICATION (Chartered Accountants)

No.1-CA(7)/60/2002 : In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority (ies)/ regulatory body (ies) specify (ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified in this Notification.

Explanation:

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together;
2. For the above purpose,
 - I. the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include: -
 - (i) audit under any other statute;
 - (ii) certification work required to be done by the statutory auditors; and
 - (iii) any representation before an authority;
 - II. the term "associate concern" means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their "relative(s)" is/are Director/s or partner/s and/or jointly or severally hold "substantial interest" in the said corporate body or partnership;

- III. the terms "relative" and "substantial interest" shall have the same meaning as are assigned under Appendix (10) to the Chartered Accountants Regulations, 1988.
3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.
4. This notification shall apply for any appointment(s) on or after 1st April, 2002.

Appendix 9

(Reference - CHAPTER 2 (SECTION I))

A. Suggested format for Appointment Letter

To

ABC and Co.,

Chartered Accountants

<<<<<Address>>>>>

Dear Sirs,

Sub: Appointment of GST Auditors (Joint Auditors) under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] for the previous year ending on 31st March 2018

We are pleased to inform you that vide Resolution of the Board of Directors dated * you* / your firm* have* / has* been appointed GST Auditors / Joint GST Auditors of our Firm* / Company* (other entities viz., Trust), carrying the business under the name and style as **(Name of the client and address and GSTIN)** for conducting the audit under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] for the previous year ending on 31st March 2018.

The remuneration for conducting the said audit is fixed at Rs..... All applicable taxes, out of pocket expenses such as travelling, conveyance etc., shall be extra, at actuals.

Kindly confirm your acceptance for the above appointment.

For

Authorised Signatory

[Name and designation]

Place:

Date:

*** Strike out whichever is not applicable and make suitable changes on a case to case basis**

B. Suggested format for Acceptance Letter

<<<< Name and address of the entity>>>>

Dear Sir,

Sub: Our appointment as GST Auditors* (Joint Auditors*) under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] to certify the Reconciliation Statement in GSTR 9-C prepared for the financial year ended 31st March 2018

Ref: Your appointment letter dated / GSTIN:

We are in receipt of your appointment letter dated, in relation to the captioned matter. We are pleased to confirm our acceptance and our understanding of this engagement, by means of this letter.

1. The Management is responsible for compliances with the GST laws, comprising the Union Territory Goods and Services Tax / Central Goods and Services Tax / State Goods and Services Tax Act, 2017* and Integrated Goods and Services Tax Act, 2017 and the respective rules framed thereunder, and for the preparation of the GSTR 9CGSTR GSTR 9C in compliance of those laws.
2. The responsibility of the Management also includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the Entity / Firm / Company* and for preventing and detecting fraud or other irregularities. As part of our audit process, we will request from the Management written confirmation concerning representations made to us in connection with the audit.
3. Our responsibility is to audit the particulars included in the GSTR 9C to ensure that they are free of any material mis-statement.
4. Our audit will be conducted in accordance with the auditing standards generally accepted in India and in line with the requirements under the GST laws. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the relevant GSTR 9C is free of material mis-statements. An audit includes examination on a test basis, using the concept of materiality, evidence supporting the amounts and disclosures in GSTR 9C. The audit may also include assessing the accounting principles used and significant estimates made by the Management in the presentation of financial statements.

5. In addition, we will consider, solely for the purpose of planning of our audit and determining the nature, timing, and extent of our audit procedures, the enterprise's internal control. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.
6. Having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence, together with inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected. A practitioner is expected can't reduce the engagement risk to zero.
7. As required by auditing standards generally accepted in India, we will make specific inquiries of Management about the representations contained in the financial statements and other reports as may be applicable and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in India also require that, at the conclusion of the audit, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the GSTR 9C or other reports. Owing to the importance of Management's representations to an effective audit and review, the enterprise agrees liability and costs relating to our services under this letter attributable to any misrepresentations by Management. Management is responsible for providing us with all financial records and related information / documents on a timely basis, and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.
8. The working papers prepared in conjunction with our audits are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures. However, we acknowledge that the details or data received from you for preparation of these working papers are / is confidential information of the enterprise and will not be disclosed by us to any third party, except as set out in paragraph 9 below or when required by legislation, without the prior written consent from the Company.
9. In accordance with the Statement on Peer Review issued by the Institute of Chartered Accountants of India, our attest services may be subject to a peer review to be conducted by an independent reviewer who can inspect, examine or take abstract of our work papers including those provided by you.
10. If these arrangements are acceptable, please sign one copy of this letter and return it to us. We very much appreciate the opportunity to serve you and would be pleased to

furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

For
Chartered Accountants

Proprietor/Partner/Director

Place:

Date:

*** Strike out whichever is not applicable and make suitable changes on a case to case basis**

Appendix 10 (Checklist)

(Reference - CHAPTER 3 (SECTION I)

Suggested Audit Checklist

(Advisable to read along with the contents of Chapter 5)

Client's Name.....

Financial / Accounting Year.....

		Checked By	Yes	No	N.A	Remarks
1	GST Registration Certificate					
	Have you checked whether the Supplier has applied for New Registration or has he Migrated?					
	Have you checked the registration details of: Registered Person, Business Verticals, Factory / Warehouse / Godown, ISD and in respect of Other place of business?					
	Whether GSTIN is displayed in Name Board viz., Godown /Branches / other places of business?					
	Whether the additional place of business within the State is incorporated in the Registration Certificate?					
	Whether the Separate Registration is taken for Input Service Distributor?					
	Whether any amendment is required to be made to the Registration Certificate?					
	Others, if any					

2	Invoicing documentation					
	Whether Tax Invoice or Bill of supply is issued as per GST law? Whether it contains all the relevant particulars as required under law?					
	Whether Tax Invoice for supply of goods is issued on or before the removal / delivery of goods?					
	Whether Tax Invoice for supply of services is issued within 30 days from date of supply of service?					
	Whether bill of supply is issued for exempt supplies/ non- GST supplies?					
	Whether the Revised Invoice is issued in case of New Registration?					
	Whether Receipt voucher is issued for receipt of advance?					
	Whether Self-invoice and payment voucher is issued in case of RCM transactions under Section 9(4)?					
	Whether refund voucher is issued for refund of advance received?					
	Whether Credit note/ Debit notes are issued as per the provisions of the GST law as per Section 34?					
	Whether Credit note/Debit Note is issued before 30th September of the Subsequent Financial Year?					
	Have you checked correctness of Tax Invoice /Bill of supply with the appropriate Supply Register/ GSTR 1?					
	Whether the Tax Invoice/Bill of supply is cancelled for genuine reasons, if any like Name of party /details where applicable?					

	Whether any Invoice cum Bill of supply is raised for specific transactions?					
	Whether the transport documents are maintained and verified?					
	Whether any copies of Credit Note and Debit Note are raised otherwise than as specified in Section 34?					
	Whether the Delivery challans/E-way bill Register is maintained?					
	Whether Series of documents issued as per clause 13 of GSTR 1 matches with the Books of Account from July 2017 to March 2018?					
	Others if any specify					
3	Goods Sent to Job Work					
	Whether the conditions are fulfilled for claiming input tax credit on goods (including capital goods) sent for job work?					
	Whether the Principal has sent goods to the job worker under the cover of delivery challans?					
	Whether the registered person has furnished FORM ITC 04 for the quarters in which goods were sent out for job work?					
	In case the registered person has supplied goods directly from the place of business of job worker, whether he has satisfied the conditions laid down in proviso to Section 143 (1) of GST Act?					
	In case the job worker is unregistered, and such job worker has supplied any waste/ scrap					

	generated during the job work from his place of business directly, whether the registered person has paid tax on such supply?					
	Have you checked any goods are sent for job work and returned within specified time?					
	Others if any specify					
4	Supply					
	Whether the kind of outward supplies like Taxable supply, Exempted supply, Zero- rated supply, NIL rated supply, Supplies to SEZ unit / developers / Deemed Export and Merchant Export etc. are appropriately classified under GST law?					
	Whether any transaction which falls within the scope of supply has not been identified by the Registered Person?					
	Have you checked Interstate supply as per Section 7(5) of the IGST Act 2017?					
	Have you checked Intra State supply as per Section 8 of the IGST Act 2017?					
	Whether the Zero-rated supply is verified as per the provisions of the law?					
	Whether the supplies made by a registered person falls within the meaning of Composite /non-composite/ Mixed supply? If yes, whether the same has been offered to tax as per Section 8 of the CGST Act?					

	Have you checked for sale of capital goods and the GST charged and as to whether they are included in the returns filed?					
	Whether Interstate supply is regarded as Intra state supply and vice versa?					
	Whether abatement provisions, if any, are applicable (like one third for land) is complied with?					
	Whether the transactions are correctly classified as supply of goods or supply of services?					
	Have you checked the deemed supply as per schedule I?					
	Are there any transactions wherein the goods sent for job work not received back are treated as supply?					
	Others if any specify					
5	Time of supply					
	Whether Time of supply provisions have been complied as per Section 12 and 13 of the CGST Act?					
	In case of change in rate of tax in respect of goods or services, whether the time of supply has been determined as per Section 14 of the CGST Act?					
	Whether time of supply is complied for continuous supply of goods/Continuous supply of services should be verified?					
	Whether time of supply is complied for Reverse charge?					
	Whether time of supply is complied for goods sent on approval?					

	Others if any specify					
6	Input Tax Credit					
	Have you checked the input tax credit availed with invoices from vendors like Bill of Entry, Tax Invoice, Debit Note, Self-Invoice, ISD Invoice?					
	Have you checked entries in Inward supplies records for input tax and reconciled with Invoices from the vendors?					
	Have you checked the inward supplies records with Monthly return and ascertained reasons for variations, if any?					
	Have you made a list of restricted input tax credit items as per the GST law?					
	Have you tallied monthly return with Input tax credit receivable, if any?					
	Have you reconciled tax collections with payments and transfer of the balance to appropriate accounts?					
	Have you checked adjustment of tax set-off by relevant journal entries?					
	Have you checked that input tax credit on capital goods is correctly availed?					
	Whether Input Tax credit is reversed for the sale of capital goods as specified in GST law?					
	Any Reversal of input tax credit for the goods sent for job work?					
	Whether the recipient of supply has effected payment for such					

	inward supply within 180 days from the date of Invoice?					
	Whether input tax credit availed is debited to recoverable account for availing re-credit?					
	Whether the supplier has availed both benefits of depreciation and input tax credit?					
	Whether the documents (tax invoice/ debit note) on the basis on which input tax credit is claimed contains the mandatory details of the recipient such as Name, GSTIN, Address and all other particulars as prescribed?					
	Whether Input tax credit is reversed against the receipt of Credit Note?					
	Whether input tax credit is bifurcated in to eligible, ineligible, blocked and common credits?					
	Whether the common credits are reversed as per Rule 42 of the CGST Rules?					
	Whether input tax credit is availed on capital goods? If yes, whether credit is reversed as per Rule 43 of the CGST Rules?					
	Whether reconciliation of input tax credit between GSTR 3B and GSTR 2A is done?					
	Whether transitional Credit is availed as per the provisions of the law?					
	Whether any ineligible transitional credit is reversed as per the law?					
	Have you tallied monthly return with Input tax credit receivable?					

	Any Reversal of Input Tax Credit for change in scheme from composition to Regular?					
	Others if any specify					
7	Input Tax Service Distributor					
	Whether separate registration is taken as per the Provisions of law?					
	Whether any tax is payable under reverse charge and obtained separate Registration?					
	Whether eligible and ineligible input tax credit is apportioned as per the GST law?					
	Is there is any reversal of Input tax credit and credit note is issued?					
	Whether the calculation of Turnover for allocating the input tax credit is as per the law?					
	Whether the ISD invoice containing the relevant particulars is issued correctly as per the provisions of the law?					
	Others if any specify					
8	Classifications					
	Whether the classification of goods/ services is in conformity with Schedules / Notifications?					
	Whether the HSN classification is verified to confirm the rate of tax on goods and services?					
	Whether the HSN details for inward and outward supply are verified?					
	Whether the SAC code/HSN code is as per the law?					

	Whether the HSN/SAC classification is the same as was followed in the erstwhile law if applicable?					
	Is there any specific Advance Ruling applicable?					
	Whether there has been any change in rate of tax during the period by way of amendment in the rate of tax notification or exemption notification?					
	Others if any specify					
9	Returns					
	Whether the copies of the GST returns filed by the registered person are reviewed?					
	Whether reconciliation of GSTR 9 with GSTR1 and GSTR 3B is done?					
	Whether interest which was due, has been paid while filing the Return?					
	Whether any late fee which is due is paid while filing the return or any late fee which was waived?					
	Whether transitional credit Returns are filed within the due date?					
	Whether transitional credit Returns are not filed due to technical glitches?					
	Whether the amendment details are filed correctly in the Returns?					
	Others if any specify					
10	GST collections and payment verification					

	Have you checked whether tax payable is paid within the prescribed time as per the GST law?					
	Have you checked whether tax is being collected beyond tax payable? If yes, whether Sec. 76 is complied.					
	Whether the tax payer charged wrongly IGST in place of CGST/SGST or <i>vice versa</i> ?					
	Have you followed the provisions of Rule 35 of the CGST Rules in respect of collection of taxes?					
	Is there any excess collection of taxes?					
	Others if any specify					
11	Reverse Charge					
	Whether Reverse charge tax is paid under 9(4) of the CGST Act 2017 up to 12 th October 2017?					
	Whether Reverse charge tax on notified supplies under Section 9(3) and 9(5) of the CGST Act 2017 is duly paid?					
	Whether Reverse charge tax has been paid wrongly in lieu of CGST/SGST as IGST or <i>vice versa</i> ?					
	Whether corresponding input tax credit is availed on Reverse charge?					
	Whether conditions of paying tax for RCM are fulfilled?					
	Others if any specify					
12	Value of Supply					
	Whether all the inclusions to the					

	value of supply as per Section 15 of the Act have been verified?					
	Whether discount offered to customers (pre/ post supply) is not included in the value of supply after fulfillment of conditions under Section 15(3) of the Act?					
	Whether valuation rules have been applied as per the GST law?					
	Whether the registered person has claimed any pure agent deduction as per Rule 33?					
	In case the value of supply is inclusive of the GST, whether the taxable value and tax amount is determined as per Rule 35 of the CGST Rules, 2017?					
	In case of exports, whether the rate of exchange of currency is determined as per Rule 34 of the CGST Rules, 2017?					
	Whether the rate of tax charged for the supplies is as per the GST rate notifications issued/ amended from time to time?					
	Whether CGST/SGST/IGST is charged in accordance with place of supply provisions?					
	Whether the tax collected from the customers has been entirely remitted to Government?					
	Others if any specify					
13	Place of supply					
	Whether the supply is inter-State/Intra State has been identified based on the policy document of the entity?					

	Whether the conditions for inter-State supply are fulfilled as per IGST Act, 2017?					
	Whether the conditions for intra-State supply are fulfilled as per IGST Act, 2017?					
	Whether the conditions for export of goods are fulfilled?					
	Whether the conditions are fulfilled for export of services?					
	Whether there are any imports of goods/import of services?					
	Whether the Zero-rated supply is with or without payment of taxes?					
	Whether the conditions for location of supplier are fulfilled?					
	Whether the supplier is intermediary under the GST Act and the conditions are fulfilled?					
	Whether the supplier has declared sale in course of Imports, Non-territory supply, High Sea supply in the Return correctly?					
	Whether the conditions for location of the recipient are fulfilled?					
	Whether the wrong payment of tax i.e. IGST in lieu of SGST/CGST is claimed as refund?					
	Whether the wrong payment of tax i.e. SGST/CGST in lieu of IGST is claimed as refund?					
	Whether the Supply by SEZ to DTA is treated as inter-State subject to fulfilment of conditions?					
	Others if any specify					
14	Refund					
	Whether the Supplier is eligible for					

	Refund as per Section 54?					
	Whether the supplier has applied for Refund and whether it is sanctioned?					
	Whether any Refund is Rejected or pending before the Authority?					
	Whether the Refund is Re-credited to Electronic Credit Ledger?					
	Whether the Manual /Electronic documents for Refund are verified?					
	Whether the Accounting impacts are given for Refund applied, pending rejected or appealed?					
	Whether any Refund is wrongly applied like input services/Capital goods credit for inverted duty structure?					
	Whether Refund and Input Tax credit is claimed for the same transactions?					
	Whether interest on delayed refund is receivable?					
	Others if any specify					
15	Inward supply					
	Have you checked the purchase invoice/ delivery challans with purchase register?					
	Have you checked the HSN Classification for inward supplies?					
	Have you checked Inward supply with the Monthly returns?					
	Have you checked whether any input tax is added to the cost of purchase where input tax credit is not allowable?					
	Have you made a list of inward supply invoices for which there are					

	no corresponding entries in inward supply records and GST return?					
	Have you checked that inward supplies are classified between intra-State, inter-State, Imports etc.?					
	Have you checked that purchases of capital goods are booked as fixed assets and the GST is paid thereon? Have you checked Assets which have depreciated 100%?					
	Have you checked sale / deletion of fixed assets?					
	Others if any specify					
16	Maintenance of Books of Accounts					
	Whether books of accounts are maintained as specified in Section 35 r/w Rules 56, 57 and 58 of the GST Law?					
	Whether Books of accounts are maintained electronically / Manually?					
	Whether books of accounts are maintained at each place of business?					
	Whether books of accounts are maintained Manually or Electronically? If the same are maintained Electronically, whether the software used complies with the requirements of the law?					
	Whether the copies of Agreements/Agent agreement and					

	other supporting documents are obtained?					
	Whether copies of the Audited Financial Statements for each registration have been obtained?					
	Whether Transporter/Warehouse keeper has maintained the books of Account as per the law?					
	Whether the Register E-way Bill/Delivery challan is maintained as per the law?					
	Whether E- Way bills are used for Valid purpose?					
	Whether the register of ITC-01, ITC-02, ITC-03 and ITC-04 is maintained as per the GST law?					
	Whether the supplier maintains the Cash/Bank Register for recording the transactions entity wise?					
	Whether the books of Accounts maintained are centralized or decentralized?					
	Others if any- specify					
17	General					
	Whether the registered person has complied with Anti-Profiteering clause?					
	Whether reliance is placed on any notifications / clarifications / advance ruling / judgement in respect of rate of tax charged and					

	collected. Whether any conflicting Advance Ruling order is applicable?					
	Are there any departmental inspection proceedings for Transitional Credits or any other demands created?					
	Have you checked for any adverse points in reports issued by Internal/ Statutory auditors or any other such reports?					
	Have you checked for any adverse points in reports in the previous year?					
	Have you checked that assessment orders / appeal orders/notices issued by the department, if any?					
	Is there any judicial pronouncement that could be applicable to the dealer?					
	Have you discussed any adverse issues arising out of the audit with the client?					
	Have you obtained the letter of appointment / issued the letter of acceptance of audit?					
	Have you come across any unusual transactions?					
	Have you checked miscellaneous receipts / other income?					
	Have you come across any huge or unusual inward or outward supply transactions / tax credits /					

	tax payments etc.?					
	Have you noticed any comments on internal controls, periodicity of updating of accounts / records etc.?					
	Whether the registered person has availed the facility of digital signature?					
	Whether the Auditor has used appropriate Audit tools?					
	Others if any – specify					

Place:

Reviewed by - Manager / Partner / Proprietor

Date:

Appendix 11

(Reference - CHAPTER 3)

List of Auditing Standards issued by the ICAI

Engagement and Quality Control Standards along with complete text (Formerly known as Auditing and Assurance Standards)

Standards on Quality Control (SQC)		
	SQC 1	Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements
Audits and Reviews of Historical Financial Information		
<u>100-999</u>	<u>Standards on Auditing (SAs)</u>	
100-199	Introductory Matters	
200-299	General Principles and Responsibilities	
	SA 200 (AAS 1 & 2)	Overall objectives of the Independent Auditor and the conduct of an audit in accordance with Standard on Auditing
	SA 210 (AAS 26)	Agreeing the Terms of Audit Engagement
	SA 220 (AAS 17)	Quality Control for an Audit of Financial Statements
	SA 230 (AAS 3)	Audit Documentation
	SA 240 (AAS 4)	The Auditor's Responsibility relating to Fraud in an Audit of Financial Statements
	SA 250 (AAS 21)	Consideration of Laws and Regulations in an Audit of Financial Statements
	Revised SA 260 (AAS 27)	Communication with Those Charged with Governance (Note-1)
	SA 265 (AAS 27)	Communicating Deficiencies in Internal Control to those charged with Governance and Management
	SA 299 (AAS 12)	Responsibility of Joint Auditors
	Revised SA 299	Joint Audit of Financial Statements

300-499	Risk Assessment and Response to Assessed Risks	
	SA 300 (AAS 8)	Planning an Audit of Financial Statements)
	SA 315 (AAS 6)	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
	SA 320 (AAS 13)	Materiality in Planning and Performing an Audit
	SA 330 (New)	The Auditor's Responses to Assessed Risks
	SA 402 (AAS 24)	Audit Considerations Relating to Entities Using Service Organizations
	SA 450	Evaluation of Misstatements Identified during the Audit
500-599	Audit Evidence	
	SA 500 (AAS 5)	Audit Evidence
	SA 501 (AAS 34)	Audit Evidence – Additional Specific Considerations for Specific Selected Items
	SA 505 (AAS 30)	External Confirmations
	SA 510 (AAS 22)	Initial Audit Engagements – Opening Balances ()
	SA 520 (AAS 14)	Analytical Procedures
	SA 530 (AAS 15)	Audit Sampling
	SA 540 (AAS 18)	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures ()
	SA 550 (AAS 23)	Related Parties
	SA 560 (AAS 19)	Subsequent Events
	SA 570 (AAS 16)	Going Concern
	Revised SA 570 (Revised) (AAS 16)	Going Concern (Note-1)
	SA 580 (AAS 11)	Written Representations

600-699	Using Work of Others	
	SA 600 (AAS 10)	Using the Work of Another Auditor
	Revised SA 610 (AAS 7)	Relying Upon Using the Work of an Internal Auditors
	SA 620 (AAS 9)	Using the work of an Expert
700-799	Audit Conclusions and Reporting	
	Revised SA 700 (AAS 28)	Forming an Opinion and Reporting on Financial Statements
	SA 701 (AAS 28)	Communicating Key Audit Matters in the Independent Auditor's Report
	Revised SA 705 (AAS 28)	Modification to the opinion in the Independent Auditor's Report
	Revised SA 706 (AAS 28)	Emphasis on Master Paragraph and Other Matter Paragraph in the Independent Auditor's Report
	SA 710 (AAS 25)	Comparative Information –Corresponding Figures and Comparative Financial Statements
	Revised SA 720 (New)	The Auditor's Responsibility in Relation Relating to Other Information in Documents Containing the Audited Financial Statements
800-899	Specialized Areas	
	SA 800	Special Consideration-Audit of Financial Statements prepared in accordance with Special Purpose Frameworks
	SA 805	Special Considerations – Audit of Singe Financial Statement and Specific Elements, Accounts or Items of a Financial Statement
	SA 810	Engagements to Report on Summary Financial Statements
2000-2699	Standards on Review Engagements (SREs)	
	SRE 2400 (AAS Revised 33) (AAS 33)	Engagements to Review Historical Financial Statements
	SRE 2410	Review of Interim Financial Information performed by the Independent Auditor of the Entity

Assurance Engagements Other Than Audits or Reviews of Historical Financial Information		
3000-3699	Standards on Assurance Engagements (SAEs)	
3000-3399	Applicable to All Assurance Engagements	
3400-3699	Subject Specific Standards	
	SAE 3400 (AAS 35)	The Examination of Prospective Financial Information
	SAE 3402	Assurance Reports on Controls at a Service Organisation
	SAE 3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
Related Services		
4000-4699	Standards on Related Services (SRSs)	
	SRS 4400 (AAS 32)	Engagements to Perform Agreed-upon Procedures Regarding Financial Information
	SRS 4410 (AAS 31 Revised) (AAS 31)	Compilation Engagements to Compile Financial Information

General Clarifications issued

- General Clarification (GC)-AASB/2/2004 on SA 210
- General Clarification (GC)-AASB/1/2002 on SA 620

Appendix 12

(Reference - CHAPTER 4 (SECTION I))

List of Accounting Standards notified by the Central Government

-AS – 01	: Disclosure of Accounting Policies
-AS – 02	: Valuation of Inventories [w.e.f 30-3-2016]
-AS – 03	: Cash Flow Statements
-AS – 04	: Contingencies and Events Occurring After the Balance Sheet Date [w.e.f 30-3-2016]
-AS – 05	: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
-AS – 07	: Construction Contracts
-AS – 09	: Revenue Recognition
-AS – 10	: Property, Plant and Equipment [w.e.f 30-3-2016]
-AS – 11	: The Effects of Changes in Foreign Exchange Rates
-AS – 12	: Accounting for Government Grants
-AS – 13	: Accounting for Investments [w.e.f 30-3-2016]
-AS – 14	: Accounting for Amalgamations [w.e.f 30-3-2016]
-AS – 15	: Employee Benefits
-AS – 16	: Borrowing Costs
-AS – 17	: Segment Reporting
-AS – 18	: Related Party Disclosures
-AS – 19	: Leases
-AS – 20	: Earnings Per Share
-AS – 21	: Consolidated Financial Statements [w.e.f 30-3-2016]

-AS – 22	: Accounting for Taxes on Income
-AS – 23	: Accounting for Investments in Associates in Consolidated Financial Statements
-AS – 24	: Discontinuing Operations
-AS – 25	: Interim Financial Reporting
-AS – 26	: Intangible Assets
-AS – 27	: Financial Reporting of Interests in Joint Ventures
-AS – 28	: Impairment of Assets
-AS – 29	: Provisions, Contingent Liabilities and Contingent Assets [w.e.f 30-3-2016]
-OLD AS – 02	: Valuation of Inventories [Before 30-3-2016]
-OLD AS – 04	: Contingencies and Events Occurring After the Balance Sheet Date [Before 30-3-2016]
-OLD AS – 06	: Depreciation Accounting [Before 30-3-2016]
-OLD AS – 10	: Accounting for Fixed Assets [Before 30-3-2016]
-OLD AS – 13	: Accounting for Investments [Before 30-3-2016]
-OLD AS – 14	: Accounting for Amalgamations [Before 30-3-2016]
-OLD AS – 21	: Consolidated Financial Statements [Before 30-3-2016]
-OLD AS – 29	: Provisions, Contingent Liabilities and Contingent Assets [Before 30-3-2016]

Appendix 13

(Reference - CHAPTER 4 (SECTION I))

Suggested format of letter of management representation to be obtained from the client in respect of each registered person separately viz., State wise / GSTIN wise (suitable modifications may be made as required)**

Dear Sir,

Sub: Letter of Management Representation - GST Audit for the financial year ended March 31, 2018

With reference to the audit conducted by you / your firm*, and as required under the provisions of Section 35(5) and Section 44(2) of the Goods And Service Tax Act, 2017 (In short "GST Act") read with rule 80(3) of the Goods and Service Tax Rules (In short "GST Rules, 2017") for the financial year ended March 31, 2018 we acknowledge our responsibility for the maintenance of books of accounts, related documents, relevant registers in accordance with the requirements of the GST laws and as per the recognized accounting standards and practices as issued by the ICAI.

This letter is provided to you in connection with the conduct of audit by you / your firm* under the GST Laws, and for the purpose of carrying out the attest function in GSTR 9C based on our letter of engagement dated and your acceptance letter dated We confirm to the best of our knowledge and belief that:

I. Place of Business

- a) We do not have other place of business inside the State other than those stated in the Registration Certificate (please ensure that each distinct person is registered separately). We confirm that each of the places of business stated in the said Registration Certificate is duly registered under the GST Laws within the State.

II. Outward Supply

- a) We have not affected any supply of goods or services or both from places other than those declared in the certificate of registration and the returns filed from time to time. All kinds (inter-State and intra-State) of supplies / supply returns* including sale of assets, if any, have been duly classified and properly accounted for in the Outward Supply Register or duly recorded in the appropriate books of accounts. They have been properly reflected in the returns filed under the GST laws.

- b) The Classification of data in respect of B2B and B2C outward supplies have been correctly classified and accounted in our Returns.
- c) The Deemed supply transactions viz., supplies to Related Parties or supplies between distinct entities / distinct persons * are valued as per Valuation Rules.

III. Inward Supply

- a) We have not affected any intra-State, inter-State inward supplies or imports into the State other than those declared in GSTR 9 and GSTR 9C and the returns filed as prescribed. All inward supplies of goods and / or services / inward supply returns including inward supplies of assets, if any, have been duly classified and properly accounted in the relevant register/s. They have been properly reflected in the returns filed from time to time.

IV. Transitional Credits

- a) We have claimed transitional credits as per the provisions of the GST laws.
- b) We confirm that the goods cleared to / by / from * Job workers by way of stock transfers, sale on approvals and supplies to agents have been reconciled with the transactions as declared in Books of Accounts. We have reconciled the data of Trans-1 / Trans-2 with the data as declared in Books of Accounts.
- c) We confirm having complied with the provisions of Section 171 of the CGST Act in respect of Anti-profiteering.

V. Documentation

- a) We confirm that we have issued the E-way bill /Delivery note as per the provisions of the GST law.
- b) We confirm that we have obtained the statutory Forms / declarations like LUT, etc from the GST Authority as per the provisions of the GST law.
- c) During the year, appeals, if any, are filed against the Demand order / Refund Rejected Order* mainly on the ground of and the matter is pending hearing / adjudication* before the appropriate authority.
- d) The Entries in Electronic Liability Ledger, Electronic Credit ledger and Electronic Cash Ledger for the financial year are reconciled with the transactions in Returns and the Books of Accounts.
- e) We have issued the Self-Invoice and payment vouchers in respect of transactions that are liable to tax on reverse charge in case of inward supplies effected from unregistered suppliers.

- f) We have maintained relevant records in respect of goods sent to / received from job workers and correctly accounted for those transactions. We confirm that all goods sent to job workers have been received back within the timelines prescribed.
- g) We have not raised any tax invoices or supply bills other than the series reported in the supply ledgers. However, in respect of deemed supply, Advances, the Invoice series differ and are duly accounted.
- h) We confirm we have maintained appropriate stock records as required under the GST laws.
- i) We have issued only ONE ORIGINAL Tax Invoice / Bill of Supply / Debit Note or credit Note as the case may be, and all other copies are marked as DUPLICATE / TRIPLICATE etc.,
- j) We have prepared the monthly returns based on the books of accounts maintained. The copies of the returns filed with the authorities were submitted / furnished to you for the purpose of your GST audit.
- k) We confirm that the relevant registers relating to Form _____ etc have not been produced to you for your verification and report.

VI. Classification

- a) We have classified the goods/Services supplied by our concern and charged the rate of tax, in accordance with the applicable schedules and/ or notifications/ Advance Rulings etc., under the GST Act 2017.
- b) We confirm that we have correctly classified the activities as supply of goods and / or supply of services as per Second Schedule of GST law.
- c) The turnovers of inward and outward supplies relating to classification of goods and / or services based on HSN affected by us and as shown on the invoices, books and records and in the financial statement are correct.
- d) During the year, application for Advance Ruling has been sought and the same is pending before the Authority.

VII. Reconciliation

- a) We understand that reconciliation of data provided to you based on the books and records, returns, relevant registers etc., have been matched with financials and relevant returns filed by us from time to time in terms of the GST laws. We reiterate and confirm that in respect of auditors appointed by us to carry out the attest function under the GST Laws in respect of other States / Union Territories have been provided the relevant data from the very same books and records maintained by us. We confirm that the inward and outward supplies including non-GST transactions, deemed supplies (transactions

without consideration) and such other transactions have been duly consolidated and matched with the financials.

- b) We confirm that we have internally derived the turnover from the Audited financial statement in case of Multi GSTIN units under same PAN and reconciled the total turnover as arrived in 5A of Form GSTR 9C.
- c) We have taken adequate care to reconcile the data with books, records and financial statements in respect of the first quarter of the financial year 2017-18 since; such data relates to the erstwhile indirect tax laws.

VIII. Input Tax Credit

- a) We have paid CGST / SGST and IGST as per GST laws. In case of wrong payment or wrong declaration, we have repaid the correct taxes and claimed refund of the wrong payment of taxes.
- b) We confirm that we have not availed input tax credits in respect of inward supplies affected by us where we have not paid the supplier within a period of 180 days in terms of proviso to Section 16(2) of the CGST Act. In such of those cases where we have availed input tax credits we confirm we have reversed such credits incorrectly availed together with interest.
- c) None of the goods on which we have claimed input credit are subsequently lost or destroyed or disposed of by way of gift, free samples, etc., requiring reversal of input credit and we understand the responsibility of preservation of various documents under the GST Act.
- d) We confirm that we have not taken any input tax credit in respect of goods/Services restricted in terms of Section 17(5) of the CGST Act
- e) We confirm that we have availed input tax credits in line with the law laid down in terms of Section 49 of the CGST Act.
- f) In respect of inward supplies of goods and / or services we confirm we have not expensed the taxes and claimed input tax credit of the very same transactions.
- g) During the year, we have not affected any inward supplies from unregistered persons other than those supported by valid self-purchase bills / Payment Vouchers declared in GSTR 9C and the returns filed. Input tax credit for GST paid / payable on Inward supplies affected from such unregistered suppliers (up to 12th October 2017) has been availed in terms of the GST laws.
- h) We have claimed input tax credit on the following basis on fulfilment of the relevant conditions stipulated under the relevant provisions of the GST laws
- i) We confirm that input tax credit availed by us are in respect of use in course or furtherance of business.

- j) We are in possession of all the original tax invoices of inward / outward supplies. We confirm having produced such original invoices for your verification during the course of your audit proceedings. We reiterate that we have availed input tax credits based on such original invoices relating to inward supplies.
- k) We have verified the calculations for reversal of credits as applicable under rule 37, 42 and 43 as at the end of the year.

IX. General

- a) The accounting policies adopted by us are set out and elaborated in Notes to Accounts attached to the financial statements.
- b) None of the business premises were a subject matter of inspection by GST Department Officers during the year.
- c) We confirm that we have adhered to the provisions relating to time of supply of goods and time of supply of services in terms of Section 12 and Section 13 of the GST Act, 2017. We confirm we have furnished to you / your firm a policy document in respect of time and place of supply of goods and / or services.
- d) We confirm and reiterate that while we have our books and records in compliance with the applicable statutes. We are in/not in a position to furnish the State-wise financial Statements for review / audit purposes.
- e) In respect of certain transactions on which the valuation Rules stand applicable under the GST laws we confirm that such transactions have been recorded in the books and records appropriately while reiterating that such valuations would not stand to scrutiny under other Statutes.
- f) We have noted the observations made in by you / your firm during the course of your audit and we hereby confirm that we shall be solely responsible for the impact, if any, on our tax liability by virtue of such observations.
- g) We certify that the following statements, among others, submitted to you to be true and correct:
 - i) Statement of monthly summaries of outward supplies and Inward supplies (with tax analysis);
 - ii) Statement of debit note and credit note as also journal entries (with tax analysis);
 - iii) Statement of goods received inside the State and sent outside the State;
 - iv) Outward Supplies and Inward supplies of fixed assets;
 - v) Details of Other income / Miscellaneous income;

- vi) Details of expenses on which input tax credit is claimed together with tax analysis thereof;
- vii) Reconciliation of outward supply and Inward supply with ledger.

The word “certify” or “true and correct” indicate absolute level of assurance expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures considered appropriate to reduce the engagement risk to zero.

For

Partner / Proprietor / Director / Authorized Signatory

Note:

*Strike out whichever is not applicable

**Attention of the readers is invited to the fact that the suggested format of the management representation is only illustrative. There could be several issues that may not have been covered in the same which may warrant suitable inclusions or exclusions or may even warrant issue of a separate management representation / certificate. The reader is required to make suitable modifications / corrections in respect of the format suggested supra based on the facts and surrounding circumstances of each case under audit.

Appendix 14

Abbreviations

Sl. No	Abbreviations	Terms and abbreviations used
1.	AS	Accounting Standard
2.	Cess	GST Compensation Cess
3.	CGST	Central Goods and Services Tax
4.	CN	Credit Note
5.	COE	Code Of Ethics
6.	CST	Central Sales Tax
7.	CTD	Commercial Tax Department
8.	CTP	Casual taxable Person
9.	DC	Delivery Challan
10.	DE	Deemed Export
11.	DN	Debit Note
12.	DTA	Domestic Tariff Area
13.	EOU	Export Oriented Undertaking
14.	E-Way bill	Electronic way bill
15.	FE	Fixed Establishment
16.	FIRC	Foreign Inward Remittance Certificate
17.	GST	Goods and Services Tax
18.	GSTIN	Goods and Services Tax Payers Identification Number
19.	GSTR	Goods and Services Tax Return
20.	HSN	Harmonised System of Nomenclature
21.	ICAI	Institute of Chartered Accountants of India
22.	ICWA	Institute of Cost & Works Accountant of India
23.	IGST	Integrated Goods and Services Tax
24.	IS	Inward Supply
25.	ISD	Input Services Distributor
26.	ITC	Input Tax Credit

27.	LOR	Location of Recipient
28.	LOS	Location of Supplier
29.	LR	Lorry Receipts
30.	LUT	Letter of Undertaking
31.	MRP	Maximum Retail Price
32.	NR	Non-Resident
33.	OIDAR	Online Information Database Access & Retrieval
34.	OPT	Output Tax
35.	OS	Outward Supply
36.	PAN	Permanent Account Number
37.	PT / KTPTCE Act, 1976	Professional Tax / Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976
38.	RC	Reverse Charge
39.	RP	Registered Person
40.	SA	Standards on Auditing
41.	SAC	Services Accounting Code
42.	SEZ	Special Economic Zone
43.	SGST	State Goods and Services Tax
44.	SMC	Small and Medium Sized Companies
45.	TCS	Tax Collection at Source
46.	TDS	Tax Deducted at Source under GST Laws
47.	UQC	Unit Quantity Code
48.	URD / URP	Unregistered Dealer / Unregistered Person
49.	UT	Union Territory
50.	UTGST	Union Territory Goods and Services Tax
51.	VAT	Value Added Tax