FIRMSAP VENTURES PVT. LTD.

A BEGINNER'S GUIDE TO GST RECONCILIATION

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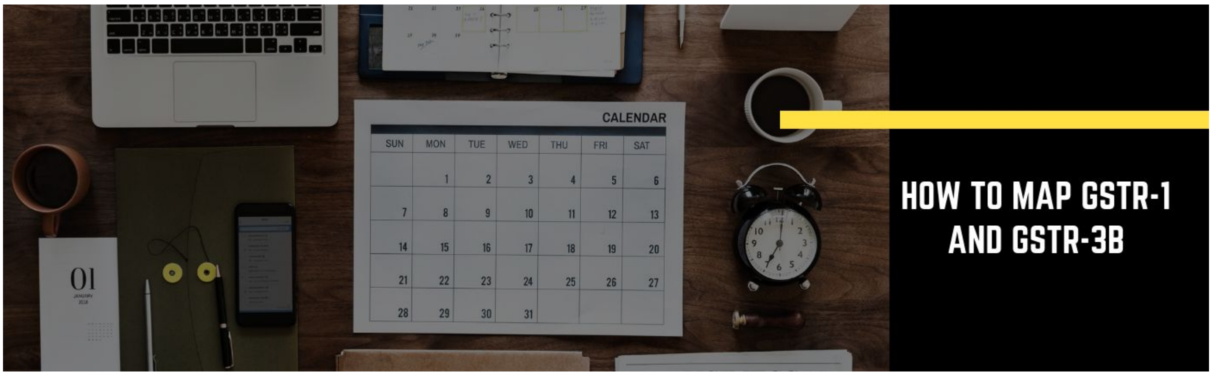

This is the first article in a two part series on GST Reconciliation.

How to Map GSTR 1 vs GSTR 3B

GSTR-1, filed by the supplier, contains invoice-wise and category-wise details of all outward supplies made in a year

GSTR-3B is the summary return based on which tax is deposited by the supplier. It contains category-wise summary of both inward and outward supplies and tax payment details.

Now, the reconciliation of GSTR-3B and GSTR-1 is of utmost importance since GSTR-3B is a manual return, i.e. it is not auto populated on the basis of GSTR-1 and GSTR-2A. There might be instances where supplier has shown an invoice in GSTR-1 but has not paid tax on that invoice in GSTR-3B. GST department uses data analytics to reconcile GSTR-1 and GSTR-3B filed by a supplier. That means it automatically reconciles GSTR-1 with GSTR-3B and issues a GST notice for mismatches.

One of the main reason of the difference is, wrong calculation of revenue & tax liability at the time of filling GSTR-3B For a large business organisation, it is very common to have difference in Actual turnover & the turnover recorded in books. This may result in GST liability if turnover as recorded in books of accounts is less than the actual turnover. Again this may result in late payment of GST, which may lead to applicability of interest. Nominal difference in is still accepted, but large data gaps is matter of concern because this can result in heavy interest liability

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Here is a format for reconciliation you can find at - https://www.gsthealth.com/accounts/register/

B-3 | MONTHLY TAXABLE SALES

Monthwise Sales Reco - 2 (Taxable Total)

	GSTR-3B	GSTR1 - Monthly	Difference
April	0.00	0.00	0.00
May	0.00	0.00	0.00
June/Q1	0.00	0.00	0.00
July	10,595,524.69	10,595,524.69	0.00
August	10,595,524.69	14,042,690.05	-3,447,165.36
September/Q2	14,736,489.00	14,736,488.87	0.13
October	16,585,877.00	13,138,711.95	3,447,165.05
November	15,278,415.00	15,278,414.52	0.48
December/Q3	13,033,549.00	13,033,548.58	0.42
January	13,547,422.00	13,547,422.14	-0.14
February	14,296,897.00	14,296,897.00	0.00
March/Q4	15,497,096.00	15,497,096.32	-0.32
Total	124,166,794.38	124,166,794.12	0.26

Problems in Mapping

1. Downloading all files - All files for each branch and each month need to be downloaded from GST Portal.
2. Conversion to excel - for starting any kind of mapping firstly all the files need to be converted into excel in a format that it can be manipulated
3. Identifying data points to be matched - There are multiple data points in the forms which can be mapped. As GSTR 1 is s detailed return and mapping it with 3B required submission of a number of columns in GSTR 1 for mapping with column of 3B. Illustration is provided at the end of article.
4. Huge data and complex sheets - When preparing these sheet for multiple clients and years the data can become too large to

handle. The formulas become complex and chances of manual errors cannot be ignored
5. Data visualization - Data visualization can be tough as making sense of data in such huge sheets can be challenging

What are the Data Points that Can be Mapped?

For the purpose of GSTR 3B and GSTR 1 mapping from their summaries only 4 from GSTR 3B and and 9 from GSTR 1 are relevant:

GSTR 3B section 3.1(a) maps with following columns of GSTR 1

- + 4A, 4B, 4C, 6B, 6C
- + 5A, 5B
- - 9B (registered)
- - 9B (unregistered)
- + 7 B2C
- + 11 A (1), 11A(2) Advances received
- - 11 B (1), 11B (2) Adjustment of Advances

GSTR 3B section 3.1 (b) maps with following columns of GSTR 1

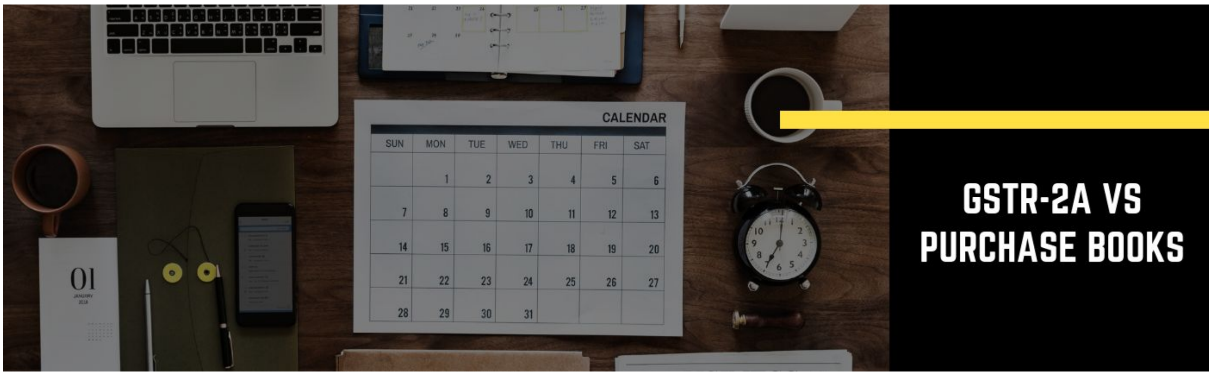
- + 6A

GSTR 3B section 3.1 (c) maps with following columns of GSTR 1

- + section 8 but only Nil and Exempted Column

GSTR 3B section 3.1 (e) maps with following columns of GSTR 1

- + section 8 but only Non- GST Supplies



This is the second article in a two part series on GST Reconciliation.

What?

GSTR-2A vs Purchase Books reconciliation primarily involves matching the data uploaded by the suppliers in their GSTR-1, reflected in recipient's GSTR-2A with those of the recipient's purchase data.

Why?

It is very important to reconcile GST returns data because :

a. Under GST returns, the taxpayers will only be able to claim ITC if the particular invoice is present in the GSTR-2A or supplier's data. This requirement forces the businesses to reconcile and claim ITC correctly.

b. Sometimes, it happens that vendor has declared his GST liability and credit has not been availed by the purchaser in his GST returns. So, not to lose the claim of ITC, the data should be reconciled on a regular basis. This reconciliation process will ensure no ITC loss on any invoices.

c. To avoid any duplication, taxpayers must consolidate and reconcile the values. This will ensure correct declaration and maximise the credit of input taxes.

Downloading and Arrangement of GSTR-2A

- Downloading GSTR 2A - of each month can take up a lot of time, usually it takes 20 minutes to download file for one month.
- Arranging Files - Once downloaded, arranging these files one below the other and eliminating blank rows and rows containing totals requires a huge processing power.
- Maintaining Numerical Accuracy - While arranging the files and combining them, maintaining totals can be a challenge. Missing one row can make all the invested time useless. These manual errors are inevitable when dealing in volumes.
- Converting books in same format as GSTR-2A - Before we look into this topic, it is important to understand how to identify a unique line in GSTR- 2A.
- In GSTR-2A a unique line is formed by combination of GST NUMBER, INVOICE NUMBER and RATE.
- Consolidate all the entries in books in the format where a unique entry is formed for a “GST NUMBER && INVOICE NUMBER && RATE”. It is possible that multiple entries of same rate be appearing for a single invoice number, those need to be consolidated before the mapping process begins.
- Non-uniform Invoice numbers - Most of the times while passing entries in books, invoice numbers are not entered completely and this can cause a lot of problem as it becomes impossible to match with Vlookup.
- For eg. Invoice number appearing as GST0019 in GSTR-2A and 0019 in books won’t match.
- Inherent limitation in GSTR 2A - GSTR-2A for any particular month may contain invoices from any previous month and monthly consolidation can be challenging as you would have to keep track of all the invoices that appeared in different months for proper reconciliation. Thus each GSTR-2A will affect each previous months reconciliation.
- Mapping - Mapping can be done on 3 levels

- Vlookup match - exact match of invoices
- Probable match - matching invoices on approximate basis using advance logics (www.gsthealth.com)
- Manual match - Manually editing invoices to match them

Taxable Value Summary

MONTH	2A	BOOK	MATCHED (BOOKS)	NOT MATCHED (BOOKS)
April	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00
June	0.00	0.00	0.00	0.00
July	93,46,033.15	93,39,274.15	45,04,570.00	48,34,704.15
August	1,26,81,864.81	1,28,73,192.00	23,65,216.00	1,05,07,976.00
September	1,44,97,340.86	1,45,40,082.00	37,58,395.00	1,07,81,687.00
October	1,19,00,174.52	1,19,89,977.00	32,67,356.00	87,22,621.00
November	1,40,07,556.98	1,40,17,008.00	35,96,015.00	1,04,20,993.00
December	1,09,10,564.08	1,10,58,729.00	26,67,601.00	83,91,128.00
January	1,25,01,060.77	1,24,87,058.00	36,37,026.00	88,50,032.00
February	1,33,10,978.51	1,32,83,088.00	36,69,609.00	96,13,479.00
March	1,70,92,535.35	1,67,86,449.34	48,09,047.00	1,19,77,402.34
Total	**11,62,48,109.03**	**11,63,74,857.49**	**3,22,74,835.00**	**8,41,00,022.49**

- Party wise summary - making a party wise summary is essential to identify the parties who are responsible for this difference.

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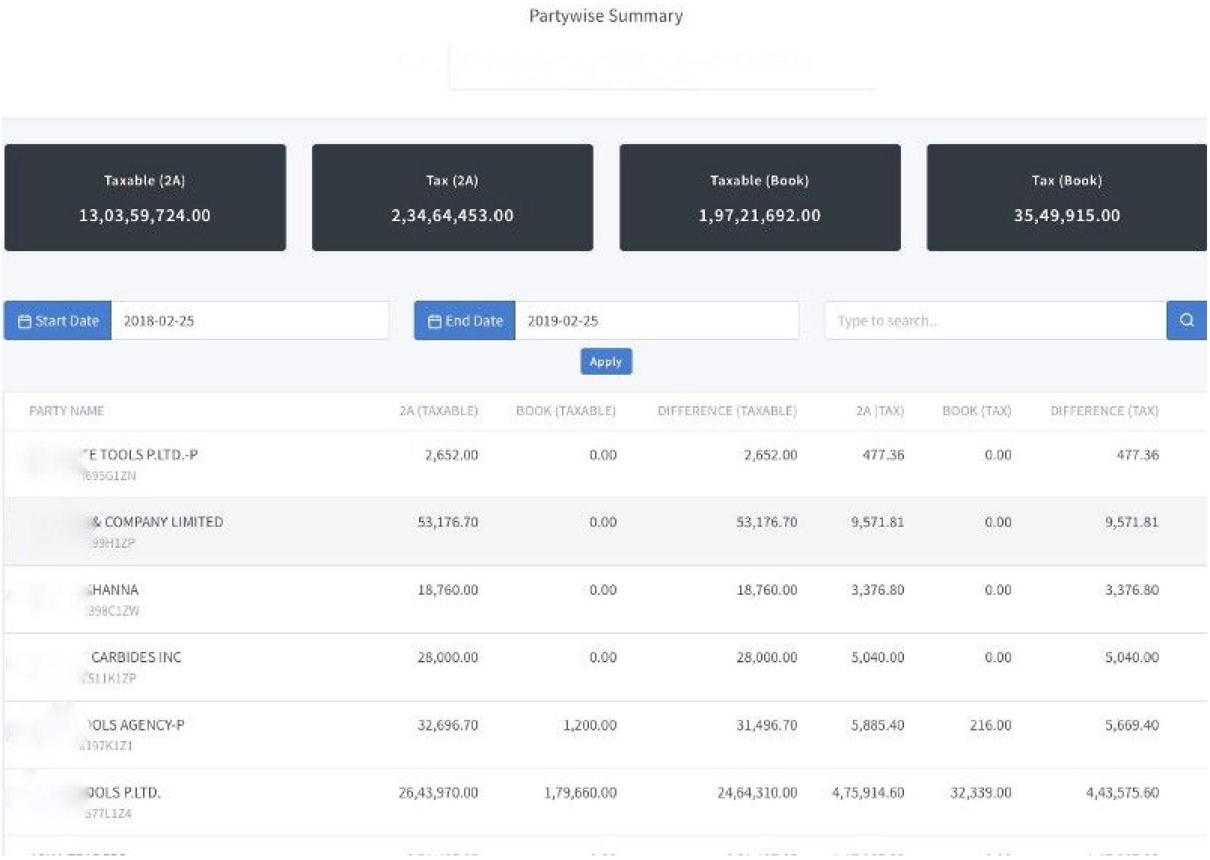
Partywise Summary

Taxable (2A)	Tax (2A)	Taxable (Book)	Tax (Book)
13,03,59,724.00	2,34,64,453.00	1,97,21,692.00	35,49,915.00

Start Date 2018-02-25 End Date 2019-02-25 Type to search...

Apply

PARTY NAME	2A (TAXABLE)	BOOK (TAXABLE)	DIFFERENCE (TAXABLE)	2A (TAX)	BOOK (TAX)	DIFFERENCE (TAX)
E TOOLS P.LTD.-P 695G1ZN	2,652.00	0.00	2,652.00	477.36	0.00	477.36
& COMPANY LIMITED 99H1ZP	53,176.70	0.00	53,176.70	9,571.81	0.00	9,571.81
HANNA 398C1ZW	18,760.00	0.00	18,760.00	3,376.80	0.00	3,376.80
CARBIDES INC 511K1ZP	28,000.00	0.00	28,000.00	5,040.00	0.00	5,040.00
OLS AGENCY-P 197K1Z1	32,696.70	1,200.00	31,496.70	5,885.40	216.00	5,669.40
OOLS P.LTD. 577L1Z4	26,43,970.00	1,79,660.00	24,64,310.00	4,75,914.60	32,339.00	4,43,575.60

Credit of Financial year could be taken upto 30.9.2018 but government has extended the due date to 30.3.2019.

A lot of entities are unaware of requirement of such mapping, and many face problem in making and gaining control over such reconciliations.

You can make and maintain these reconciliations in minutes with www.gsthealth.com. Further 12 different kind of classification can be done for invoices:

1. Invoice appearing in books, not in GSTR-2A—(Having tax amount)
2. Invoice appearing in books, not in GSTR-2A- (Not having tax amount)
3. Invoice appearing in GSTR-2A, not in books- (Having IGST)
4. Invoice appearing in GSTR-2A, not in books- (Having Other GST)
5. Common invoice, Category match, Taxable value mismatch, tax mismatch

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6. Common invoice, Tax match, Taxable value mismatch, Category mismatch.
7. Common invoice, Category mismatch, Taxable value mismatch, tax mismatch.
8. Common Invoice, Category Match, Taxable value mismatch, tax match.
9. Common Invoice, Tax mismatch, Taxable value match, Category match.
10. Common Invoice, Taxable value match, Tax match, Category mismatch.
11. Common Invoice, Category Match, Taxable value match, tax match.
12. Anomalies

Examples for GSTR-2A vs Books Mapping

Problems in Downloading:

1. Downloading returns for all the previous months can take upto hours.
2. Problem in Collaborating sheets:
    a. Each item in GSTR-2A is listed with sum after each party and a skipped line thereafter - as shown in image. Eliminating all these lines and collaborating them and maintaining totals is a challenge.

GST NUMBER	PArty Name	Invoice Number	Invoice Type	Invoice Date	In
9H1ZI	TEAM GLOBAL LOGISTICS PRIVATE LIMITED	1102-75001008225	R	11-10-2017	
540H1ZI	**TEAM GLOBAL LOGISTICS PRIVATE LIMITED**	**1102-75001008225**	**R**	**11-10-2017**	
3050A1Z0	4S LOGISTIC SOLUTIONS PRIVATE LIMITED	4S/IMP/A/6191	R	04-10-2017	
3050A1Z0	4S LOGISTIC SOLUTIONS PRIVATE LIMITED	4S/IMP/A/6191	R	04-10-2017	
3050A1ZI	**4S LOGISTIC SOLUTIONS PRIVATE LIMITED**	**4S/IMP/A/6191-To**	**R**	**04-10-2017**	
050A1Z0	4S LOGISTIC SOLUTIONS PRIVATE LIMITED	4S/IMP/A/6193	R	04-10-2017	
050A1Z0	4S LOGISTIC SOLUTIONS PRIVATE LIMITED	4S/IMP/A/6193	R	04-10-2017	
3050A1ZI	**4S LOGISTIC SOLUTIONS PRIVATE LIMITED**	**4S/IMP/A/6193-To**	**R**	**04-10-2017**	

    b. Invoices filed by counterparty later in any month have to be reclassified which can lead to further reconciliations. For eg. Invoices booked by Taxpayer in July might be appearing in GSTR-2A in December due to late filing by party. This can lead to confusion and a lot of mis- matches (Never face these problems with - www.gsthealth.com)

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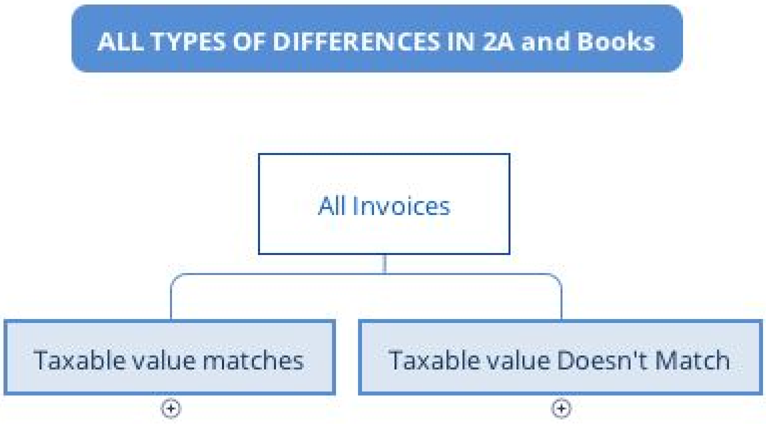
3. Problems in matching
    a. Creating unique line - In GSTR-2A a unique line item is created using GST NUMBER - INVOICE NUMBER - RATE. For eg. there might be two lines with same invoice number but they will have different GST Numbers and even when they have same GST number they will have different rates.
    b. Now converting books into this format can be a challenge, solved by www.gsthealth.com, when you upload your books template it will automatically sum the relevant lines to convert them into GSTR-2A format.
    c. Matching invoices in books can be cumbersome due to following reasons:
        i. Slow performance due to formulas
        ii. Updating previous months, when new entries are detected in GSTR-2A
        iii. Only exactly matched invoices can be mapped in Microsoft Excel
        iv. Invoices like Invoice number GST001 in GSTR-2A and 001 in purchase books will never be matched in Excel
        v. Maintaining sheets for various clients and ensuring no formula is ever altered
        vi. Disc space issues and Laptop performance

    d. Types of matches -

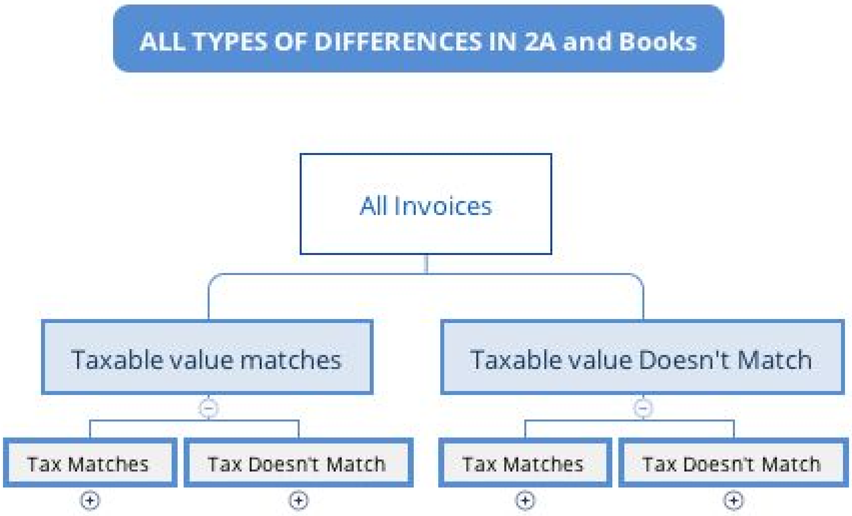
Type of Match	Example	How to do?
Exact Match	ABC/01 with ABC/01	Vlookup or www.gsthealth.com
Probable match	ABC/01 with 01 for same party in 2A and books	www.gsthealth.com
Manual match	ABC/17-18/1001 with 1001	Excel or www.gsthealth.com

4. Types of differences (Invoice appearing in books but not in GSTR-2A , Invoices appearing in GSTR-2A but not in books etc.) and with example

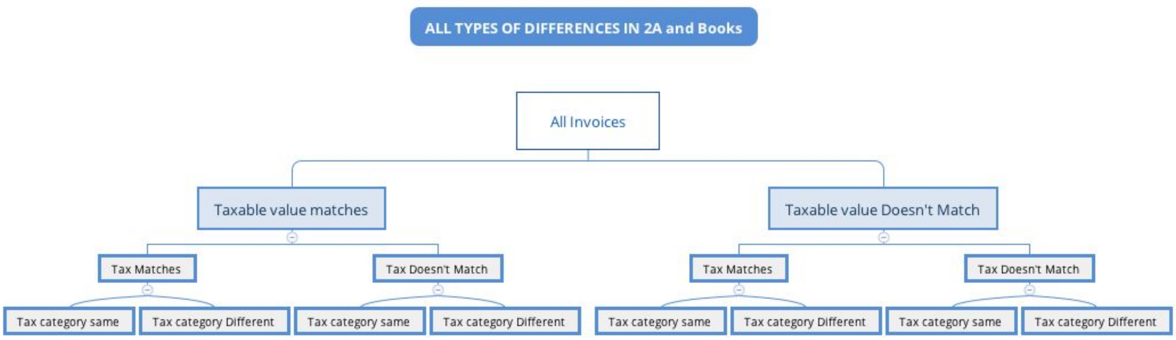
a. **Stage 1**



b. **Stage 2**



c. **Stage 3**



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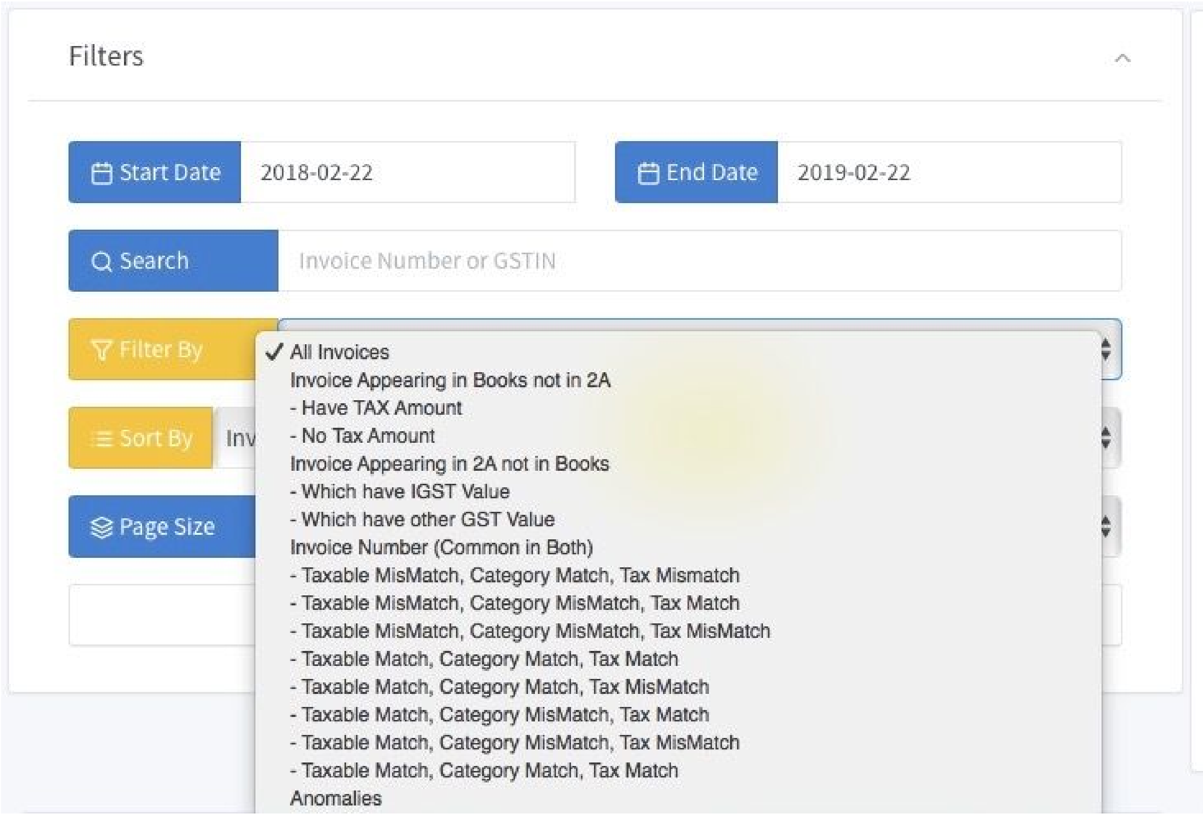
5. Other than above, there can be invoices appearing in GSTR-2A but not in books and vice versa
6. Have a look at the the categories



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