

Impact of GST Reconciliation in closing of Books
of Accounts & Precautions thereof
Indirect Taxes Study Group Meeting of WIRC
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- Aryan Industries – February 2021 – data filled in GSTR1 was wrong due to human error. More than 500 Invoices – Recourse available:

- Aryan Industries – February 2021 – data filled in GSTR1 was wrong due to human error. More than 500 Invoices – Recourse available:
- As per proviso to section 37 rectification of error shall be allowed till the date of furnishing the return of September following the end of financial year. Thus for FY 20-21 September 2021 is the last return for any amendment or error in GSTR1.
- Thus Aryan Industries can amend all the invoices. Recourse available is to amend all the invoices and put taxable value as zero in the amendment table. And input the actual data of Feb 2021 in the B to B section.
- Please note that above will reflect in GSTR2A of September 2021 for the supplier.

Outward Supply

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- Even if the invoice numbers are same since the FY changes for amendment the portal will accept the amendment.

Outward Supply

- Kamdar Exports – Exports Oriented Firm
- Exports with payment of IGST-

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- Exports with payment of IGST-
- Check the books for any pending IGST refund. Counter check it with Icegate in IGST Validation for any error. Also check with IGST Scroll status – whether refund is granted or not?
- Check the Foreign exchange received. If the same is less than the invoice amount then as per Rule 96B pay back the IGST refund in cash via DRC-03 with interest from the date of receipt of refund.
- Check if the exports with payment of IGST are made from Purchases with full rate of tax and not 0.1% as then again they are not eligible for Exports with payment of IGST and the refund received needs to be paid back.

- Kamdar Exports – Exports Oriented Firm
- Exports without payment of IGST-
- Check the books for any pending unutilised ITC refund. 90% refund is granted via provisional order RFD-04. Balance 10% is left out. Attention needs to be drawn towards the pending refund.
- If capital goods ITC is claimed while claiming refund, the same needs to be paid back in cash via DRC-03.
- Check for pending exports proceeds and pay back the refund in cash if the same is not realised within the time specified in FEMA which is 15 months from the date of export.



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- Sales data of GSTR1 & GSTR3B needs to be reconciled and then the same with Financials. Reasons for differences needs to be highlighted.
- Check whether the tax is paid for outward supply as per the time of supply [section 12 & 13 of CGST Act]. Specially in case of service providers where tax needs to be paid on Advances.
- Check for value of supply on which tax is paid. Many times other expenses are charged separately via debit note in form of reimbursements without tax being levied and not included in value of supply.
- HSN classification needs to be checked and correct rate of tax needs to be verified.
- Check for late filing of GSTR1 and provision may be made for late fees as contingent liability as the Act prescribes but the portal is not levying. It may be levied during assessments or audits by department.

- Reconciliation of outward supply:
- Check for any sale of Fixed assets and the applicability of GST on the same. [Section 18(6) & Rule 40 & 44]
- Check for Goods sold as samples free of cost [Inventory check]
- Check for any damages or sale of scrap and the GST impact
- Goods sent to job work, whether returned back within 180 days?
- Supply of services to branches – cross charge applicability
- Valuation of Supply to related party
- Reporting of NIL and Exempted supply
- Goods returned back needs to be verified with documents issued
- Verify e-way bill data with sales register and reconcile so that if any sale is not recorded but e-way bill prepared it can be highlighted.

- TSR Ltd – IT Consultancy Firm
- Main Contract is with HO of TSR with HO of Customer and services are performed by branches. Invoice will be raised by HO to the HO of customer. Verify whether cross charge is levied between the HO and branches for the service performed by branches.
- September 2021 is the last return for any amendment, so if not raised now then there is another chance provided by GSTR9 to show the outward cross charge.
- But then the HO will not be eligible for the ITC.

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- Example:
- Average ratio of taxable supply to exempt plus RCM supply = 35%
- Cost of Trailers in September 2020 = 1500000
- ITC @28% = 420000
- ITC reversed in September 2020 as per Rule 42 = $420000 \times 35\% = 147000$
- Rule 43 is applicable:
- ITC per month reversal = $420000/60 = 7000$
- Thus reversal every month = $7000 \times 35\% = 2450$
- From September to march ITC to be reversed should be = $17150/- [2450 \times 7]$
- Excess ITC available now = $129850/- [147000 - 17150]$

- Shriram Transporter – Capital Goods purchased – Applicability of Rule 43
- In GSTR3B reversal of ITC was carried out on ratio basis so ITC was reversed as per Rule 42 of capital goods. Thus reversal of ITC needs to be carried out as per Rule 43 and every month ITC needs to be reversed.
- Interest will be applicable in the months where ITC is not reversed. And since ITC was reversed at a stretch balance will be eligible and can be availed in September 3B.

- Rule 36(4): Introduced in 2019 via Not. No. 49/2019 dt. 09/10/2019. where in ITC available will be restricted to GSTR2A plus 20% effective from October 2019.
- 20% was substituted by 10% effective from 01.01.2020 via not .no 75/2019 dt. 26.12.2019
- 10% was substituted by 5% effective from 01.01.2021 via not. No 94/2020 dt. 22/12/2020
- Due to Covid19 pandemic Rule 36(4) was not to be followed from March 2020 till August 2020
- Then in sep 2020 comparison with GSTR2A and excess needed to be reversed and if less then take the ITC.
- From Sep 2020 follow Rule 36(4) i.e ITC in GSTR2A plus 5%

- Mahek traders has to match ITC as per books with ITC in GSTR3B and with GSTR2B.
- Difficult to find invoice wise bifurcation.
- Advisable to follow GSTR2B.
- There may be ITC which will be reflecting GSTR2B but not in books as the same must have been expensed out in books. Like Bank charges, Credit card expenses, Online purchases etc
- There may be ITC in books not reflecting in GSTR2B – very important - as follow up with vendors and force them to file before 11th Oct if Monthly periodicity or 13th Oct if Quarterly

- TDS/TCS credit remains pending many times. Verify with books and take the credit in cash ledger by filing the acceptance return.
- Recording of imports in books varies. Thus match the imports reflecting in GSTR2A with Books and reconcile the same. Also check the Assessable value and verify the correctness of Ocean Freight paid. As then September is the last return to pay the RCM and take the ITC.
- Also whatever Imports IGST not taken verify with the books and take the credit.

- Debit notes can be issued for the difference in tax for the change in tax rate. And since the section 16 is now amended, ITC of such debit notes is available as and when issued.
- Poser: Will the September deadline apply to Debit notes





Aap
convince ho
gaye ya
main aur
bolu!

