



# WEBINAR ON GST ANNUAL COMPLIANCES

**OCTOBER 23, 2018**



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- OBJECTIVE
- GST ANNUAL RETURN
- RECONCILIATION STATEMENT
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## LEGAL FRAMEWORK



# STATUTORY PROVISIONS - ANNUAL RETURN

## Applicability [Section 44(1)]

- Every taxpayer needs to file an annual return
- Annual return to be accompanied with *audited annual accounts* and *reconciliation statement* [reconciliation with audited financial statements]
- Due date for FY 2017-2018: **December 31, 2018**
- The requirement to file annual return is *irrespective of turnover* of taxpayer

## Exemption [Section 44(1)]

- Following taxpayers exempted from filing annual return:
  - Casual taxable person
  - Non-resident taxable person
  - Input service distributor
  - Person liable to deduct TDS or TCS

## Forms [Rule 80(1) & 80(2)]

- A taxpayer needs to furnish annual return in the following forms:
  - ✓ Regular taxpayer : **FORM GSTR - 9**
  - ✓ Composition dealers : **FORM GSTR - 9A**
  - ✓ E-commerce operators : **FORM GSTR - 9B**

# STATUTORY PROVISIONS - RECONCILIATION STATEMENT

## Applicability [Section 35(5), Section 44(2) & Rule 80(3)]

- Every taxpayer whose turnover in a financial year exceeds **Rs.2 crores**, is required to get his accounts *audited* from a Chartered / Cost Accountant ('CA')
- Section 2(13) defines "audit" as:
  - ✓ *Examination of*
  - ✓ Records, returns and documents
  - ✓ Maintained or furnished under GST laws / other laws
  - ✓ To verify and assess taxpayer's compliance under GST laws
- A taxpayer needs to submit following:
  - ✓ Audited annual accounts
  - ✓ Reconciliation statement (Form GSTR-9C) duly certified by CA
- Due date for FY 2017-2018: **December 31, 2018**

# STATUTORY PROVISIONS - RECONCILIATION STATEMENT

- PAN based turnover of the taxpayer to be considered to determine limit of Rs 2 crores.
- Period for considering the turnover: April 2017 to March 2018
- For instance:

GSTINs	Turnover	
Delhi	NIL	3 GSTR-9C to be filed
Haryana	NIL	
Maharashtra	2.5 crores	

GSTINs	Turnover	
Delhi	60 Lakhs	0 GSTR-9C to be filed
Haryana	60 Lakhs	
Maharashtra	70 Lakhs	



**OBJECTIVE**



# OBJECTIVE

- GST audit different from statutory audit (not just an extension of statutory audit) – not merely a number crunching exercise
- GST audit envisages independent examination of GST positions adopted and compliances undertaken by taxpayer even if it is audited under other law. The purpose is to verify correctness of following:
  - (a) turnover declared,
  - (b) taxes paid,
  - (c) refund claimed, and
  - (d) input tax credit availed
- GST audit requires deep understanding of GST laws, Notifications, Circulars, Clarifications, Advance Rulings etc. on the part of auditor
- As GST audit will be based on taxpayer's representations, taxpayer is equally responsible for the audit like any other audit

*GST audit to be starting point for departmental investigations, assessments for a taxpayer*





## ANNUAL RETURN (GSTR-9)



# ANNUAL RETURN – A BIRD’S EYE VIEW

**Consolidation of outward supplies (taxable & others), output GST, inward supplies (reverse charge) and ITC claimed**

**Includes transactions reported in GSTR-1, amendments in GSTR-1. Also includes Credit / Debit Notes issued and ITC claimed for a financial year in next financial year**

**No fresh information like liability, credits etc. can be reported in this return**

**Form divided into six parts with 19 tables to be filled (certain fields to be auto populated)**

# KEY DETAILS TO BE REPORTED

## ***Outward supplies / TOTAL TURNOVER***

*(Taxable, export, exempt, nil rated, non-GST transactions & advances)*

## ***Reverse charge liability***

*(On inward supplies from registered as well as unregistered suppliers)*

## ***ITC claimed***

*(Including ISD, TRAN-1/2 plus reconciliation between GSTR-3B and GSTR-2A)*

## ***ITC reversals & ineligible ITC***

*(Exempt, non-payment to supplier in 180 days, Section 17(5) procurements)*

## ***Taxes paid as per returns***

*(Including details of demand & refund)*

## ***HSN summary for outward and inward supplies***

*(With quantity)*

# TAXABLE TRANSACTIONS

4 Details of advances, inward and outward supplies on which tax is payable as declared in returns filed during the financial year			
	Nature of Supplies	Taxable Value	GST
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		

←----- Transactions reported in GSTR-1 from July 2017 to March 2018 – only to be reported

←----- Details of financial credit notes not to be provided here

←----- Amendments done in GSTR-1 till March 2018 to be mentioned here

# NON-TAXABLE TRANSACTIONS

5 Details of Outward supplies on which tax is not payable as declared in returns filed during the financial year			
	Nature of Supplies	Taxable Value	GST
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)		

*Details missed to be reported in GSTR 1 not to be covered here*



# ITC DETAILS

	Nature of Supplies	Type	GST
<b>6</b>	<b>Details of ITC availed as declared in returns filed during the financial year</b>		
A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)		<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 & 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)		

Covers only available ITC

Bifurcation of credits between inputs, capital goods and input services, a new requirement - could be a challenge!



# ITC DETAILS

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 (60 - 7I)	

←----- Why field for deduction of section 17(5) restricted ITC when Table 6 only auto populates available ITC?

←----- Reversal of transition credit details post March 2018 not to be covered here

←-----

# RECONCILIATION OF DATA WITH GSTR-2A

8	Other ITC related information	
A	ITC as per GSTR-2A (Table 3 & 5 thereof)	<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>

*ITC on inward supplies (reverse charge) received from registered vendors as per GSTR-2A (Table 4) will not be auto-populated!*

*Inconsistent with provisions of Section 16(4) - which restricts credit upto the due date of filing return for September or annual return whichever is earlier!*

*This field if negative – likely to be a point of departmental audits*

*What if IGST paid on import of goods missed to be availed as credit in GSTR 3B till March 2018?*



# TRANSACTIONS / AMENDMENTS REPORTED IN APR TO SEP' 2018

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	GST
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		

*Details of liability additions / deletion, ITC claims / reversal for the FY 17-18 reported in April to September 2018*

# DEMAND & REFUND DETAILS

15	Particulars of Demands and Refunds	
	Details	GST
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	

# OTHER INFORMATION

16	Information on supplies received from composition taxpayers, deemed supply under section 143 and goods sent on approval basis		
	Details	Taxable Value	Central Tax
A	Supplies received from Composition taxpayers		
B	Deemed supply under Section 143		
C	Goods sent on approval basis but not returned		

*Not clear if information to date needs to be considered or only till March 2018?*

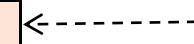
*Details of sale on approval basis not materializing within 180 days - new information not specifically covered under GSTR-1*



# HSN SUMMARY - OUTWARD AND INWARD SUPPLIES

17 HSN Wise Summary of outward supplies					
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	GST
18 HSN Wise Summary of Inward supplies					
HSN Code	UQC	Total Quantity	Taxable Value	Rate of Tax	GST

*HSN wise details of all inward supplies along with total quantity, a new requirement - could be a challenge!*





## RECONCILIATION STATEMENT (GSTR-9C)



# RECONCILIATION STATEMENT – A BIRD'S EYE VIEW

**To reconcile the details furnished in audited financial statements with annual return (GSTR-9)**

**Reasons for difference to be put, with auditor's recommendation on additional liability**

**Form divided into V parts with reconciliation to be carried-out for 5 specified details**

**Statement to be certified by a chartered accountant or a cost accountant (different or same as statutory auditor)**

# KEY RECONCILIATIONS TO BE DONE

*Gross turnover (as per audited financial statements)*

*Taxable turnover (as per Annual Return)*

*Rate wise tax liability and tax paid*

*Net input tax credit  
(as per audited financial statements vs. Annual Return)*

*Expense wise input tax credit*

# GROSS TURNOVER

A	<b>Turnover (including exports) as per audited financial statements</b> for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)		Amount
B	Unbilled revenue at the beginning of Financial Year	[+]	
C	Unadjusted advances at the end of the Financial Year	[+]	
D	Deemed Supply under Schedule	[+]	
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	<b>Turnover as declared in Annual Return (GSTR9)</b>		
R	Un-Reconciled turnover (Q - P)		AT1

- Turnover to include:
  - Revenue from operations
  - Interest & dividend income
  - Other direct & indirect income
  - Miscellaneous income
- Segregation of turnover between various GSTIN's to be performed by taxpayer

*Residuary reasons for difference*

*Reasons for un-reconciled turnover to be provided*





# TAXABLE TURNOVER

7 Reconciliation of Taxable Turnover		
A	<b>Annual turnover after adjustments (from 5P above)</b>	<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	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
F	<b>Taxable turnover as per liability declared in Annual Return (GSTR9)</b>	
G	Unreconciled taxable turnover (F-E)	AT2

*No supply to include transactions under Schedule III, like sale of land, actionable claims etc.*

*Transactions to be reported net of adjustments, debit or credit notes etc.*

*Possible reasons:  
(a) Short reporting in GSTR-9  
(b) Incorrect disclosures*

# RATE WISE TAX LIABILITY AND TAX PAID

9	Reconciliation of rate wise liability and amount payable thereon		
	Description	Taxable Value	Tax payable
			GST
	1	2	3
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 (Please specify)		
P	<b>Total amount to be paid as per tables above</b>		<Auto>
Q	<b>Total amount paid as declared in Annual Return (GSTR 9)</b>		
R	Un-reconciled payment of amount		PT1

*Tax paid on account of any adjustments made in FY 18-19 shall also be included*

*Possible reasons:  
(a) Un-reconciled turnover  
(b) Difference of opinion on classification of supplies*



# NET INPUT TAX CREDIT

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	<b>ITC availed as per audited financial statements or books of account</b>		<Auto>
E	<b>ITC claimed in Annual Return (GSTR9)</b>		
F	Un-reconciled ITC		ITC 1

*Net ITC to be considered here, post considering:*

- (a) ITC reversals*
- (b) Non-payment within 180 days*
- (c) Debit/ credit notes*

*This shall include transitional credits*

*This shall include:*

- (a) Year end purchases, goods in transit*
- (b) Credit missed in returns filed for FY 17-18*

# EXPENSE WISE INPUT TAX CREDIT

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 ITC	Amount of eligible ITC availed
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	<b>Total amount of eligible ITC availed</b>			<<Auto>>
S	<b>ITC claimed in Annual Return (GSTR9)</b>			
T	Un-reconciled ITC			ITC 2

- List of expense only indicative and not exhaustive
- Expense-wise allocation of expenses will be challenging for the taxpayers

Credit availed on capital goods also needs to be disclosed

# AUDITOR'S RECOMMENDATION ON ADDITIONAL LIABILITY

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation		
	Description	Taxable Value	To be paid through Cash
			GST
	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)		

- Auditor shall give its recommendations only, these are not binding on taxpayers
- Such payments to be made in cash only

# CERTIFICATION BY AUDITOR

\*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 the ..... Act, 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 from ..... to ending on .....
- (c) the cash flow statement for the period beginning from ..... to 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 No.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 .....  
 Membership No .....  
 Date: .....  
 Full address .....

←----- • *Commenting upon maintenance of records/ documents maintained or not maintained by the assessee*

←----- • *Commenting upon true and correctness of details mentioned in Form 9C and listing the observations / qualifications*



**WAY FORWARD**



## WAY FORWARD

Being first year, annual compliances to be time consuming exercise. Taxpayers are therefore advised to take the following steps:

- Collation and sanitization of data

- Carry-out basic checks like reconciliation of difference between GSTR-1 and GSTR-3B

- Engagement of auditor.

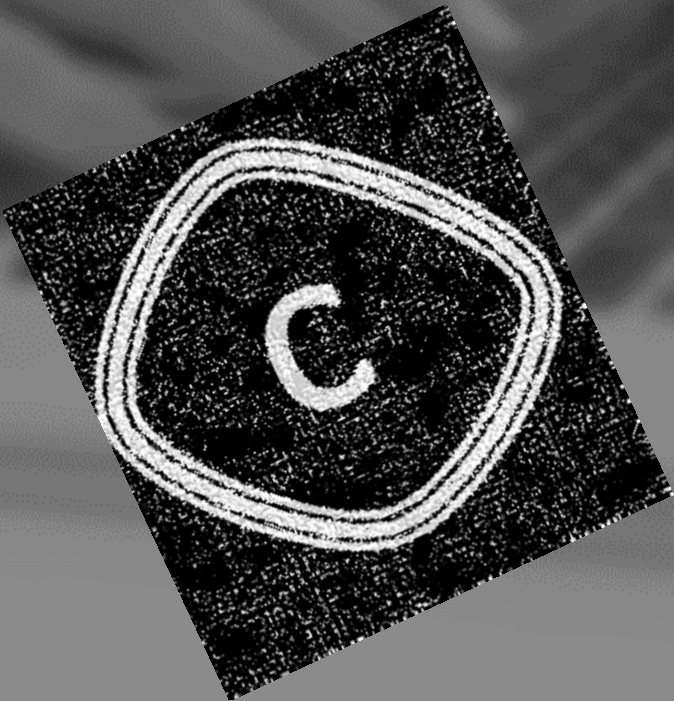
- Commencement of annual compliance activities like validation of tax positions, compliances performed and their reconciliation with audited financial statements

- Last date for taking credits for FY 2017-18?



**QUESTIONS?**

# THANK YOU !!



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