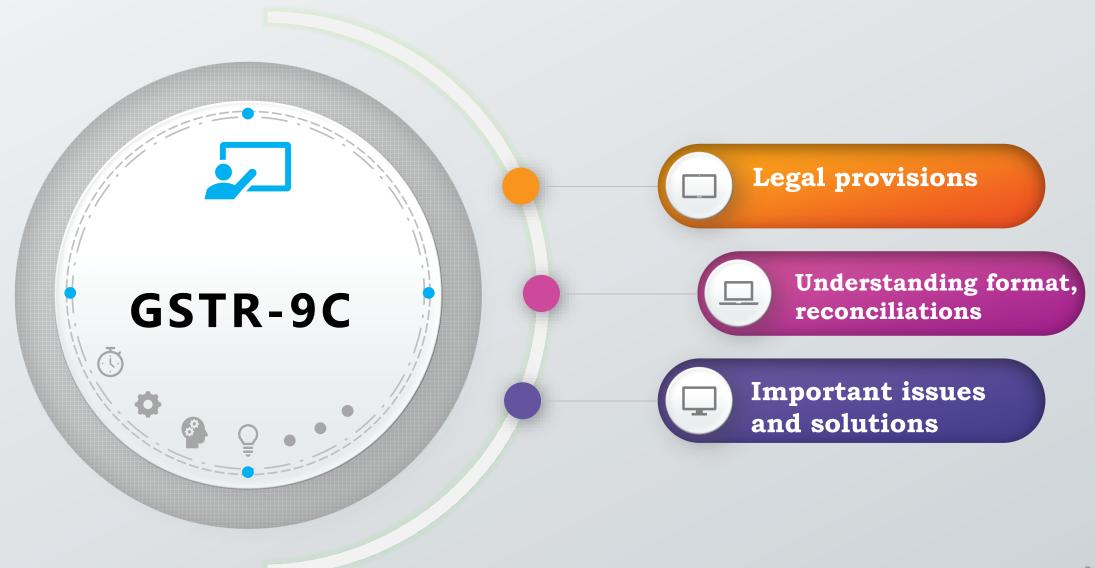
GSTR-9C-Few issues and resolutions

CA Mahadev. R



Coverage



Legal provisions
& Important
terms

Meaning of Audit – 2(13)

- "Audit" means the examination of records, returns and other documents maintained or furnished by the registered person <u>under this Act</u> or the rules made thereunder or <u>under any other law</u> 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;

[From FY 20-21 relevant for departmental audit only. 9C filing is not audit now]

Aggregate Turnover – 2(6)

- "Aggregate turnover" means the aggregate value of :
 - -Taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
 - -Exempt supplies, [Nil rate or exempt by notification, non-taxable]
 - Exports of goods or services or both and
 - Inter-State supplies of persons having the same PAN,
- To be computed on all India basis but excludes CGST, SGST, UTGST, IGST and Cess;

Legal provisions

- **Section 44** Every registered person, other than an (ISD, a person paying tax under section 51 or section 52, a casual taxable person and a NRTP) shall furnish annual return which may include a <u>self-certified reconciliation statement</u>, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within such time and in such form and in such manner as may be prescribed.
- **Section 47(2)** Any registered person who fails to furnish the return required under section 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent. of his turnover in the State or Union territory.
- **Rule 80(3)** Every registered person, other than those referred to in the second proviso to Section 44, an ISD, a person paying tax under Section 51 / 52 or a casual taxable person and a NRTP, whose aggregate turnover during a financial year exceeds Rs.5 crore, shall also furnish a self-certified reconciliation statement in Form GSTR-9C along with annual return on or before 31st December following the end of such financial year.

Accounts and books to be maintained

Accounts - Every registered person shall keep, maintain, <u>at his principal</u> <u>place of business</u>, as mentioned in 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: [Refer Rule 56]

Books required under Rule 56

- Account of goods / services imported or exported
- > Supplies liable for RCM with relevant documents
- Invoices / BOS / DC / CN / DN / Self invoices
- Receipt vouchers / payment vouchers / refund vouchers
- ➤ Stock details of inward, issue, outward, lost, stolen, destroyed, written off or disposed as gift, free sample, scrap / wastage to be kept
- ➤ Name, complete address of suppliers and customers
- ➤ Complete details of places including documents where goods are stored. If not maintained, goods in such places are deemed to be supplied
- ➤ Entry in registers / accounts / documents Not to be erased, effaced or overwritten
- ➤ Incorrect entries Score out under attestation

Books required under Rule 56

- Manufacturer to maintain monthly production accounts with quantitative details of production, waste etc.
- > Service providers to maintain details of **goods used in services**
- Any manual book to be serially numbered

Electronic record requirements

- If electronic, maintain log of every entry edited / deleted
- If records are electronic, then authentication by digital signature
- Proper back up needed
- On demand, password of files, files, explanation for codes to be provided
- Detailed record of stock to be maintained at godowns / warehouse as well

Legal provisions – Relevant for books of accounts

- **Section 125** Any person, who contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be liable to a penalty which may extend to twenty-five thousand rupees.
- **Section 126** No officer under this Act shall impose any penalty for minor breaches of tax regulations or *procedural requirements* and in particular, any omission or mistake in documentation which is easily rectifiable and made without fraudulent intent or gross negligence.

Explanation. 'For the purpose of this sub-section,"

- (a) a breach shall be considered a 'minor breach' if the amount of tax involved is less than five thousand rupees;
- (b) an omission or mistake in documentation shall be easily rectifiable if the same is an error apparent on the face of record

Understanding format

PARTS OF RECONCILIATION STATEMENT

Part	Table	Details to be furnished			
I	1-4	Basic details of the tax payer			
	5	Reconciliation of Gross Turnover			
	6	Analysis of un-reconciled items of Table 5			
II	7	Reconciliation of Taxable Turnover			
	8	Analysis of un-reconciled items of Table 7			
	9	Rate-wise reconciliation of taxes payable with the taxes paid and reported in the annual return [Form GSTR-9]			
III	10	Analysis of the un-reconciled payment amounts			
	11	Additional amount payable on account of un-reconciled differences in turnover			
IV	12-13	Reconciliation of Net Input Tax Credit			
	14-16	Expense wise reconciliation of Input Tax Credit			
V		Additional liability due to non-reconciliation			

Basic steps in GSTR-9C

- 1. Start with reconciliation between Books Vs. GSTR-3B Vs. GSTR-1
- 2. Turnover and ITC to be reconciled for each GSTIN separately
- 3. Ascertain reasons for differences in Turnover and ITC
- 4. Additional liabilities, if any, to be discharged. Only in Cash. Funds planning necessary. Delay could result in extra interest & penalty.
- 5. Extra taxes, if any, to be claimed as refund
- 6. ITC claimed extra, if any, to be paid back
- 7. Short claim of ITC Becomes cost
- 8. If needed take expert opinion for interpretational issues to set right the issues

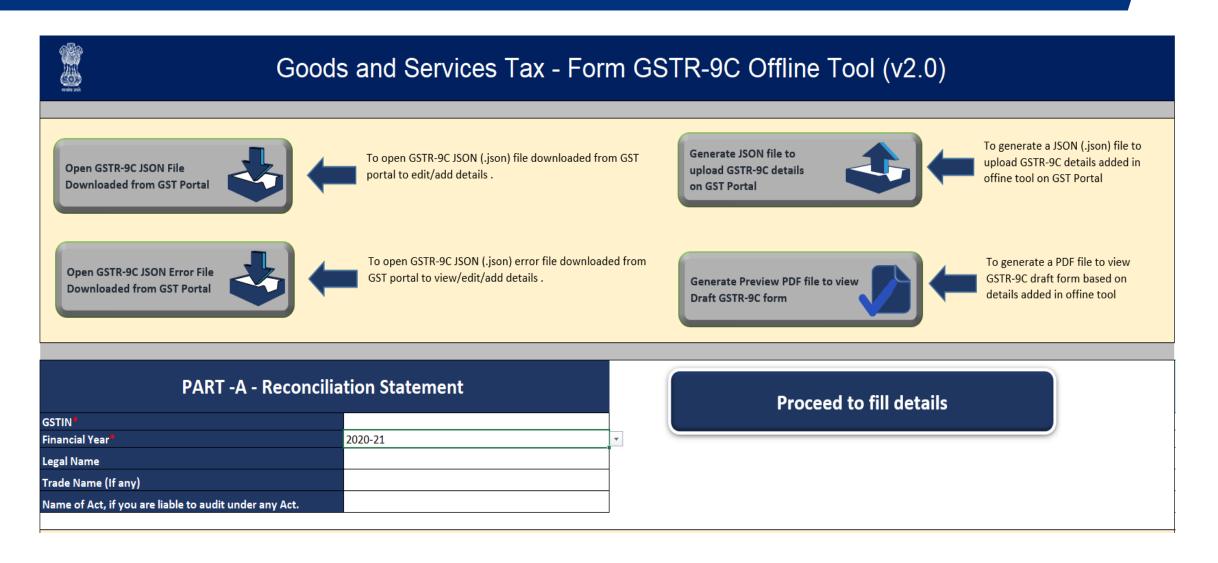
Why reconciliations

- ☐ To check & ensure completeness and correctness
- ☐ Identification of excess or short payment of taxes
- ☐ Identification of missed out or excess availment of ITC
- ☐ Identification of incorrect availment of ITC
- ☐ Increase the confidence of the Dept & statutory authorities with good systems & compliances
- ☐ Facilitates smooth filing of GST annual returns & certifications

Important Reconciliations

- □Outward supplies/taxes- As per Books Vs Returns
- ☐ Reconciliation b/w GSTR-1 & GSTR-3B
- ☐ Reconciliation b/w E-invoice summary & Outwards summary
- ☐ E-way bill summary Vs Outwards summary
- ☐ ITC accounted in books Vs availed, availed Vs utilised
- ☐ Reconciliation b/w GSTR-2A/2B & 3B & Books
- ☐ ITC reversal reconciliation (Rule 37,42,43)
- ☐ RCM liability & ITC As per Books Vs returns
- ☐ Rate wise breakup of taxes (Outwards & RCM)
- ☐ Exports & Imports (ICE GATE, shipping Bill, GSTR-2B, FIRCs)
- ☐ Others (Job work, Refund, closing balances.....)

Clause by clause analysis of 9C form





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Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)



5	Reconciliation of Gross Turnover				
S.No	Description	Amount (₹)			
A	Turnover (including exports) as per Audited Financial Statement for the State / UT (For multi-GSTIN units under same PAN, the turnover shall as be derived from the Audited Annual Financial Statements)*				
В	Unbilled revenue at the beginning of the 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 as at the end of the Financial Year				
I	Unadjusted Advances as 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 fluctuation				
О	Adjustment in Turnover due to reasons not listed above				
P	Annual Turnover after adjustments as above(A+B+C+D-E+F-G-H-I+J-K-L+M+N+O) *	0.00			
Q	Turnover as declared in Annual return (GSTR9)*				
R	Un-Reconciled turnover (Q-P) *	0.00			

Table 5A:

- Take total operating plus non operating income
- Foreign branch? Then take it to branch which is concerned to exclude later
- If common financials, then based on books of account bifurcate details. Ledgers, MIS etc. to be bifurcated for each GSTIN
- If different period followed in Companies Act 2013, then IT audit report may be considered.

Table 5B:

- Unbilled revenue could arise due to accounting standard compliance
- Unbilled revenue which is invoiced with GST should be **added**
- Segregate for each GSTIN
- Unbilled portion not to be added

Table 5C:

- Unadjusted advances at year end on which GST paid but not recognised as revenue in financials to be **added**
- Presently goods advance not subject to GST but advance for service, subject to GST
- Advance for exempted income, exports, SEZ, don't add
- Advance received and invoiced in same year, don't add

Table 5D:

- Deemed supply under schedule I to be **added**
- If already part of financials, don't add
- Verify fixed asset register, e-way bills, tax invoices, understand support services to branches

• Table 5E:

- Credit notes issued after 31st March for supplies of current FY but taken in annual return, to be reduced. Very uncommon to have such cases.

Table 5F:

- Trade discounts accounted in financials but not allowed in GST to be **added**
- Understand Section 15(3) to check fulfilment of conditions
- For accounting, revenue should be net off trade discounts. If accounted as expenses, then this **addition not** needed

- Table 5G: [Not relevant for FY 2021-22]
- Turnover for Apr 17 to June 17 to be **deducted.**
- Identify sales / services which liable for pre-GST taxes and add
- Table 5H:
- Unbilled revenue at end of FY to be **deducted**
- Deduct only if GST not paid and not considered in annual return
- Table 5I:
- Unadjusted advances at beginning of FY on which GST is already paid in earlier years to be **deducted**
- **Deduct** only if such advance recognised as revenue in financials
- Ex: Advance in Mar 2021 considered for payment of GST. In FY 2021-22, accounted as revenue. In GSTR-9C of FY 2021-22, this amount to be deducted.

• Table 5J:

- Credit note accounted in financials but not allowed in GST to be added
- Consider only if reduced from turnover. If accounted as expenditure, don't add
- - If credit note issue only with tax impact, then don't add

Table 5K:

- Supply of goods by SEZ to DTA to be deducted
- **Deduct** only those where DTAs have filed BOE
- Supply of services not covered here

• Table 5L:

• - Turnover of composition scheme to be **deducted**

Table 5M:

- Adjustment on account of Section 15 to be added or deducted
- **Add** those where taxable value for GST is more than accounted
- **Deduct** those where taxable value for GST is less than accounted
- Ex: Pure agent expense Financials not accounted as revenue but GST paid and recorded in annual return
- Ex: Transactions with related parties. Ex: Partial recoveries from employees
- Ex: GST on construction paid on 2/3 value. In financials, full accounted
- Table 5N: Foreign exchange fluctuation to be added or deducted
- Compare GST rate with accounting and realisation rate

• Table 50:

- Adjustment of turnover due to reason not listed to be added or deducted
- **Add** items which are treated as income for GST
- **Deduct** items which are not treated as income for GST

Supply items not covered in GSTR-9 & financials but found to be supply to be reported here

- Ex: Interest, duty drawback, dividend to be deducted
- Ex: Goods sent on approval but not sold in 6 months, goods not received in 1 year after job work to be added

Table 50 can be filled instead of Table 5B-5N bifurcation

■ **Table 5Q:** This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).



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Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)



7	Reconciliation of Taxable Turnover*			
S.No	Description	Amount (₹)		
A	Annual Turnover after adjustments [from 5(P) above]*	0.00		
В	Value of Exempted, Nil Rated, Non-GST Turnover, No supply turnover			
С	Zero rated supplies without payment of tax			
D	Supplies on which tax is to be paid by the recipient on reverse charge basis			
Е	Taxable turnover as per adjustments above (A-B-C-D)*	0.00		
F	Taxable turnover as per liability declared in Annual Return (GSTR9)*			
G	Unreconciled Taxable Turnover (F-E)*	0.00		



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Pt. III. Reconciliation of tax paid



9	Reconciliation of rate wise liability and amount payable thereon						
S.No	Description	Taxable Value (₹)	Tax payable (₹)				
			Central Tax	State Tax/UT Tax	Integrated Tax	Cess, if applicable	
	5%						
В	5% (RC)						
C	12%						
D	12% (RC)						
E	18%						
F	18% (RC)						
G	28%						
	28% (RC)						
	3%						
	0.25%						
	0.10%						
	Others%						
	Interest						
	Late Fee						
	Penalty						
	Others						
	Total amount to be paid as per tables above (A to O)*		0.00	0.00	0.00	0.00	
	Total amount paid as declared in Annual Return (GSTR 9)*						
	Un-reconciled payment (Q-P)*		0.00	0.00	0.00	0.00	



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Pt. III. Reconciliation of tax paid



11		Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)						
S.No	Description	Taxable Value (₹)	To be paid through Cash (₹)					
			Central Tax	State Tax/UT Tax	Integrated Tax	Cess, if applicable		
A	5%							
В	12%							
С	18%							
D	28%							
Е	3%							
F	0.25%							
G	0.10%							
G1	Others%							
Н	Interest							
I	Late Fee							
J	Penalty							
K	Others							







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Pt. IV. Reconciliation of Input Tax Credit (ITC)



12	Reconciliation of Net Input Tax Credit (ITC)			
S.No	Description	Amount (₹)		
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)*			
В	ITC booked in earlier Financial Years claimed in current Financial Year			
С	ITC booked in current Financial Year to be claimed in subsequent Financial Years			
D	ITC availed as per audited financial statements or books of accounts (A + B - C)*	0.00		
E	ITC claimed in Annual Return (GSTR9)*			
F	Un-reconciled ITC (E-D)*	0.00		



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Pt. IV. Reconciliation of Input Tax Credit (ITC)



14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account						
S.No	Description	Value (₹)	Amount of Total ITC (₹)	Amount of eligible ITC availed (₹)			
A	Purchases						
В	Freight / Carriage						
С	Power and Fuel Costs						
D	Imported goods (Including received from SEZ)		1				
E	Rent and Insurance Expense						
	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples						
G	Royalties						
Н	Employee's Cost (Salaries, Wages, Bonus etc .)						
I	Conveyance charges						
J	Bank Charges						
	Entertainment charges						
	Stationery Expenses (including postage etc.)						
	Repair and Maintenance						
	Other Miscellaneous expenses						
0	Capital goods						
P	Any other expense 1						
Q	Any other expense 2						
R	Total amount of eligible ITC availed (A to Q)*						
S	ITC claimed in Annual Return (GSTR9)						
T	Un-reconciled ITC (S-R)*						



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Pt. IV. Reconciliation of Input Tax Credit (ITC)

Please Note: Fields marked with * (red asterisk) are mandatory fields and need to be filled up

Validate Sheet



16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 & 15 above)				
S.No	Description	Amount payable (₹)			
A	Central Tax				
В	State tax /UT tax				
C	Integrated Tax				
D	Cess				
E	Interest				
F	Penalty				

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Pt. V. Additional Liability due to non-reconciliation



C N-	Description	Value (₹)	To be paid through Cash (₹)			
S.No	Description Value (₹)		Central Tax	State Tax / Union territory Tax	Integrated Tax	Cess
	5%					
В	12%					
C	18%					
D	28%					
E	3%					
F	0.25%					
G	0.10%					
G1	Others%					
H	Input tax credit					
I	Interest					
J	Late Fee					
K	Penalty					
	Any other amount paid for					
L	supplies not included in annual return (GSTR9)					
М	Erroneous refund to be paid back)					
N	Outstanding demands to be settled					
0	Other					

Verification of registered person:

I hereby solemnly affirm and declare that the information given herein above is true and correct and nothing has been concealed there from. I am uploading this self-certified reconciliation statement in FORM GSTR-9C. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.

Name of the Authorised Signatory

Important aspects to verify - Supply

- Review exemptions, concessions claimed. Check with notifications, conditions
- Review supply transactions with distinct persons and related parties Valuation
- Nature of supply Mixed, Composite or non-composite
- Advance receipts and implications in GST
- Export conditions, documentation
- Classification and rate of tax adopted
- Sale of fixed assets
- Sample removals, supply schemes, sale on approval and implications
- Time of supply concept

Important aspects to verify - Procurements

- Review exemptions, concessions claimed for conditions
 — Deemed export, merchant export benefit
- Claim of ITC Fulfilment of conditions
- Restricted credits and treatment
- Type of tax claimed as ITC Wrong GSTINs
- RCM liability Expenses including foreign currency expenses
- Classification of goods as inputs/ capital goods Treatment in case of job work removals
- Yearend procurements

Other issues and possible solutions

- ✓ **Additional liability** Ex: Wrong classification / Undervaluation Pay through annual return Ideally through cash (though ITC utilisation is possible, if considered as self-assessment)
- Identify such liabilities before September Enable customer to take credit based on debit note – Periodical audits would help.
- ✓ Excess ITC Rate of interest Section 50 18% Interest to be paid and not 24%. No interest if ITC availed but not utilised.

- **ISD Vs. Cross charges** Common input services utilised for multiple units, then ISD. If support from GSTIN to another, then cross charge.
- o ITC distribution needed on monthly basis. If not done, do cross charge as one time measure Ensure that value with GST is equal to credit to be distributed based on turnover under ISD mechanism. If undervalued or not done, ITC claim would be disallowed.
- o ITC on cross charge possible at receiving location Interest for TOS delay
- o For support services, do cross charges at nominal value Rule 28 valuation
- \circ If full ITC not possible for recipient, then OMV or similar goods or Cost + 10%.
- o If stock transfer of goods, then can be contended that value factors support services

- ✓ **Wrong type of GST on outward supplies due to POS** Benefit of Section 77 When supply held to be intra-State or inter-State, then refund of wrong tax & payment of correct tax No interest payable.
- o Saji.S Vs. Commissioner of GST 2018 (19) G.S.T.L. 385 (Ker.) Court ordered tax officials to transfer tax paid under wrong head to correct head.
- ✓ **Wrong type of GST under RCM** Benefit of Section 77 doubtful as heading is 'Wrong taxes collected' Additional liability need not be recommended as beneficiary State is same in both type of tax –
- **✓** Wrong type of ITC
- IGST taken as CGST / SGST May not result in revenue implication as IGST allowed for utilisation against both CGST and SGST.
- CGST/SGST taken as IGST Results in wrong utilisation as SGST not allowed for CGST payment and CGST not allowed for SGST payment.

- **✓GST on goods not exported –** Very common in tools/ moulds Export is taking goods outside India Solution is to bifurcate service design charges.
- Other option is add amortise value in goods supplied instead of charging separately for tools/ moulds – Countries like Australia, UK exempts such moulds if used only for exports.
- **✓** GST on domestic inter-State supply of tools not despatched
- ✓ ITC reversal on samples goods exported / FG samples
- ✓ Rule 42 on exempt incomes -
- High sea sales Amendment to Schedule III & Section 17 from Feb 19 No ITC reversal Not clear if retrospective- Being a beneficial provision, interpret to be retrospective.
- Sale of duty scrips ITC reversal not needed. If already done, adjust for other liabilities
- o Interest income ITC reversal not needed as excluded in Rule 42
- Sale of securities 1% of sale value exempted Rule 42 on common and specific services

- ✓ Corporate Guarantee Guarantee by the parent company for subsidiaries or among group companies Without consideration Supply under schedule I Refer related party transactions Notes
- \circ Valuation as per Rule 28 OMV / Like kind / 110% or Invoice value if other unit eligible for full ITC
- ✓ Import of services from parent/ holding co. Not recorded in financials Understand business Pay GST if POS is in India.
- o ITC possible Self invoice Declare in GSTR-3B
- ✓ ITC taken on credit note Eligibility is doubtful Disclose in annual return as credit note Reverse ITC Revenue neutral

THANK YOU



For any clarification

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