



A COMPREHENSIVE GST CHECKLIST BEFORE FINALISATION OF BALANCE SHEET FOR THE FY 2017 - 2018 FOR REGISTERED PERSONS - PART 1

CMA SUSANTA KUMAR SAHA
GST Consultant

With promulgation of GST Laws w.e.f. 1st July 2017, multiple taxes and duties levied by the central and state governments such as Central Excise/ CST/VAT/Entry Tax/ Service Tax/ WCT etc. have been replaced with Integrated Goods & Services Tax (IGST) in case of inter-state supply of goods or services or both and Central GST (CGST) plus State GST (SGST) for intra-state supply of goods or services or both.

Financial Year 2017 – 2018 has ended and this being the year where indirect tax compliance of a ‘taxable person’ would not be uniform throughout the year. It will be different for the quarter ended June, 2017 where taxes and duties of pre-GST regime would be applicable and different for the next three quarters where GST law would be applicable.

As a result, substantial amount of preparation is required for a ‘taxable person’ to be ready with GST audit (for applicable assesses), providing cross linked information for Statutory Audit and Tax Audit (u/s 44AB of the Income Tax Act, 1961), and GST assessment. The scope of GST Audit appears to be much wider when compared with audit under Income Tax Act, 1967. Thus in addition to detailed understanding of various provisions of GST law (Acts/Rules/Notifications), it is desirable to prepare documents and records for a better control before closure of financial accounts.

The following points are to be checked **for each GSTIN of a ‘taxable person’ having a single PAN**. The write up will address the points / topics chronologically as per GST law.

A			
Sec. 7 – Supply (CGST Act, 2017 & corresponding SCST / UGST Act, 2017)			
Sl. No	Transactions categorised in accordance with GST law	Corresponding check with financial accounts in revenue account	Remarks
1.0	Taxable supplies (sale, transfer, barter, exchange, licence, rental, lease, disposal)	Revenue recognised - All such natural accounts with corresponding value as appearing the P&L A/c or I&E A/c for other than ‘zero rated supply’;	Natural accounts with account codes, as appearing in Chart of Accounts (CoA) for the period, rolled up to revenue account through sub-schedules and schedules. An illustrative format is given at the bottom of the table.
1.1	‘Exempt’ / ‘Nil’ rated supply including non-taxable or non-GST supply	Revenue recognised - All such natural accounts with corresponding value as appearing the P&L A/c or I&E A/c for other than ‘zero rated supply’;	Sec 2(47) – “exempt supply” = [Goods or services or both, attracts <i>nil</i> rate of tax or wholly exempt from tax under relevant sections, and includes non-taxable supply]; Sec 2(78) – “non-taxable supply” = [Goods or services or both, which is not leviable to tax under this law] It is recommended to categorise the natural accounts under the broad heading as: i. Exempt supply; ii. Nil rated supply; and iii. Non GST supply.
1.2	Transactions between ‘distinct persons’ , i.e, inter-State stock transfer, in the course or furtherance of business (Schedule I).	Doesn’t appear in the credit side of the revenue account when financial accounts is consolidated on a single PAN basis.	‘Distinct person’ as defined in Sec. 25(4) of the CGST Act, 2017. ‘Inter-unit’ reconciliation item.
1.3	Gifts to employee exceeding rupees fifty thousand in a year.	Not a revenue for the ‘taxable person’.	Reconciliation item. Supply as per GST law (Schedule I)
1.4	Recovery of expenses from employees, e.g,	May not appear in revenue side, depending on the accounting policy	Supply as per GST law.

	transportation charges, notice pay, canteen expenses, mobile expenses etc. treated as an outward supply.	adapted by the 'taxable person'.	
1.5	Reimbursement of expenses to employees.	May not appear in revenue side, depending on the accounting policy adapted by the 'taxable person'.	Supply as per GST law only when such reimbursements have not been made in the course of employment as per terms of employment.
1.6	Sale of used motor car by a 'taxable person'.	Profit / (loss) made in sale of fixed or current assets depending on the nature of business of the 'taxable person'.	Check point-in addition to GST, compensation cess was required to be paid up to 24 th December, 2017.
1.7	Sale of land or sale of building after obtaining completion certificate.	Respective revenue account.	Not a supply in terms of Schedule III in GST law [Section 7(2)(a)]
1.8	Each and every revenue head.	Different revenue/ income clubbed under the head 'Other income' or 'Miscellaneous income' in financial account.	Impact of GST needs to be examined against each and individual account head.
Sec. 16 - zero rated supply (IGST Act, 2017)			
1.9	i. Export of goods or services or both; ii. Supply of goods or services or both to a SEZ unit or SEZ developer.	Corresponding revenue accounts in the financial accounts.	It is recommended to categorise the natural accounts under the broad heading as: i. Export of goods; ii. Export of services; iii. Goods supplied to SEZ unit or developer; and iv. Services supplied to SEZ unit or developer.
The above exercise will facilitate to reconcile ' Aggregate Turnover ' as per GST and as per financial accounts .			

An illustrative roll up table is given below [please refer to point no. 1.0]:

Natural Account Code	Revenue (Grand grand parent level)	Schedule name (Grand parent level)	Sub-schedule name (Parent level)	Natural account in CoA (Child level)
4000000	Total Revenue			
4100000		Revenue from operations		
4100100			Course fees	
4100101				Admission fees
4100102				Re-admission fees
4100103				Monthly fees
4100200			Batch Branch Transfer	
4100201				Branch transfer
4100202				Batch transfer
4200000		Other Income		
4200100			Hostel charges	
4200101				Hostel charges - residential
4200102				Hostel charges – non residential
4200200			Miscellaneous income	
4200201				Interest on loan to employees
4200202				Fine recovered
B	Sec. 8 – Composite supply and Mixed supply (CGST Act, 2017 & corresponding SCST / UGST Act, 2017)			
Sl. No	Transactions categorised in accordance with GST law	Corresponding check with financial accounts in revenue account	Remarks	
2.0	Composite supply	Recommended to prepare a matrix of: Name of the debtor vis a vis natural account recorded in revenue	Sec 2(30) – composite supply = two or more taxable supplies of goods or services or both, or any combination thereof, naturally bundled and supplied in conjunction thereof in the ordinary course of business, one	

			of which a principal supply . This is classification issue. It is strongly recommended that a brief note be prepared on the basis (including judicial precedents, if any) of identification of predominant element of a composite supply based on which principal supplies in case of different type of composite supplies have been identified including , and the test of determination that the supplies are naturally bundled and are not artificially bundled . Judgements / AAR in support of the decision, if any, as indicated above may also be noted for future reference.
2.1	Mixed supply	Recommended to prepare a matrix of: Name of the debtor vis a vis natural account recorded in revenue	Sec 2(74) – mixed supply = two or more individual supply of goods or services, or any combination thereof, made in conjunction thereof for a single price , and where such supply doesn't constitute to composite supply . Preparation of similar note as recommended above for composite supply.
Notes as discussed above, will help to clarify queries from Statutory Auditor, GST Auditor and will be handy at the time of assessment. It is apprehended that composite supply consists with higher rate of tariff items, may be construed as mixed supply by the assessing authority.			

C Inward supply of specified category of goods or services or both, tax payable under RCM by the recipient of supply u/s 9(3) of the CGST Act, SCST / UGST Act, 2017, to be read with section 5(3) of the IGST Act, 2017.																															
Sl No	Transactions	Corresponding check with financial accounts in revenue account					Remarks																								
3.0	Specified category of goods	It is recommended to prepare a schedule collating all relevant information. A suggestive format is given below:					<table border="1"> <thead> <tr> <th colspan="6">Details of tax paid</th> </tr> <tr> <th>CGST</th> <th>SGST</th> <th>IGST</th> <th colspan="3"></th> </tr> <tr> <th>%</th> <th>₹</th> <th>%</th> <th>₹</th> <th>%</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Details of tax paid						CGST	SGST	IGST				%	₹	%	₹	%	₹						
Details of tax paid																															
CGST	SGST	IGST																													
%	₹	%	₹	%	₹																										
		Sl No	Item details	Natural account with account code	Voucher No & date	Name of the supplier	Value of inward supply (₹)																								
3.1	Specified category of services	Similarly for services, as stated above.					<table border="1"> <thead> <tr> <th colspan="6">Details of tax paid</th> </tr> <tr> <th>CGST</th> <th>SGST</th> <th>IGST</th> <th colspan="3"></th> </tr> <tr> <th>%</th> <th>₹</th> <th>%</th> <th>₹</th> <th>%</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Details of tax paid						CGST	SGST	IGST				%	₹	%	₹	%	₹						
Details of tax paid																															
CGST	SGST	IGST																													
%	₹	%	₹	%	₹																										
		Sl No	Item details	Natural account with account code	Voucher No & date	Name of the supplier	Value of inward supply (₹)																								

D				Supply of goods or services or both, by an unregistered supplier to a registered person, tax of which shall be paid under reverse charge mechanism (RCM) by the recipient of supply under section 9(3) of the CGST, SGST/UGST Act, 2017 to be read with section 5(4) of the IGST Act, 2017							
Sl. No	Transactions	Corresponding check with financial accounts in revenue account				Remarks					
4.0		<div style="text-align: center;"> <pre> graph TD A[INWARD SUPPLY - URD] --> B[Purchase - URD] A --> C[Indirect expenses - URD] A --> D[Direct expenses - URD] </pre> </div> <p>Ledgers for inward supplies from unregistered persons.</p>									
4.1	Relevant Notifications: <ul style="list-style-type: none"> ➤ Notf. No. 8/2017 - CT(R) dated 28.06.2017 effected from 1st July, 2017; ➤ Notf. No. 38/2017 - CT(R) dated 13.10.2017 ✓ Value of inward supplies from URD persons when exceeded ₹ 5,000/- in a day, tax was to be paid under RCM by the recipient of supply during the period 01.07.2017 to 12.10.2017, although there is another school of thought that the withdrawal of monetary limit was effective from 01.07.2017. 										
4.2	Transactions	Corresponding check with financial accounts in revenue account				Remarks					
4.3	Supply of goods or services or both by URD	It is recommended to prepare a schedule collating all relevant information. A suggestive format is given below:				The same may be fetched from monthly return filing data					
		Sl No	Item details	Natural account with account code	Voucher No & date		Name of the supplier	Value of inward supply (₹)	Details of tax paid		
									CGS T	SGS T	IGST
									% ₹	% ₹	% ₹

E				Time of supply of goods and Time of supply of services as defined under section 12 and section 13 of the of the CGST Act, 2017 & corresponding SCST / UGST Act, 2017 respectively			
Sl. No	Particulars						
5.0	i. In case of change in rate of tax of goods or services, the same shall be determined in accordance with section 12 or section 13 of the Act respectively. ii. Rate of taxes in GST regime have been amended multiple times and the effect of such changes may be reviewed once before finalisation of Balance Sheet. iii. It is recommended that in case the rate of goods or services of a 'taxable person' have suffered changes, a matrix for every item of 'goods' or 'services', be correlated with corresponding 'supply' (tax invoice) made during the transition period from earlier rate to revised rate for the sake of clarity from law point. iv. The above worksheet will make points easily understandable not only at the time of audit but also during the time of assessment.						
5.1	List of Notifications in relation to changes in rates of Goods with respective dates:						
	Nature	Original Notification No.	Amendment Notification No.	Dated			
	Goods	01/2017 – CT(Rate)		28.06.2017			
			18/2017 – CT(Rate)	30.06.2017			
			19/2017 – CT(Rate)	18.08.2017			
			27/2017 – CT(Rate)	22.09.2017			
			34/2017 – CT(Rate)	13.10.2017			
			41/2017 – CT(Rate)	14.11.2017			
			06/2018 – CT(Rate)	25.01.2018			
		08/2018 – CT(Rate)	25.01.2018				
5.2	List of Notifications in relation to changes in rates of Services with respective dates:						
	Nature	Original Notification No.	Amendment Notification No.	Dated			
	Services	11/2017 – CT(Rate)		28.06.2017			
			20/2017 – CT(Rate)	22.08.2017			
			24/2017 – CT(Rate)	21.09.2017			

		31/2017 – CT(Rate)	13.10.2017
		47/2017 – CT(Rate)	14.11.2017
		01/2018 – CT(Rate)	25.01.2018

F Value of taxable supply as defined under section 15 of the of the CGST Act, 2017 & corresponding SCST / UGST Act, 2017		
Sl. No	Provisions in accordance with GST law	Discussion
6.0	Section 15(2)(c) of the CGST Act, 2017 – incidental expenses , including commission and packing, charged by the supplier to the recipient of a supply	<p>i. Identify list of ancillary activities performed in relation to supply of ‘goods’ by a taxable person, e.g,</p> <ul style="list-style-type: none"> a. supply of ‘goods’ – principal supply; b. transportation of goods; c. material loading and unloading; d. insurance during transit, and similarly <p>ii. list of ancillary activities performed in relation to supply of ‘services’ by a taxable person.</p>
6.1	Section 15(2)(c) of the CGST Act, 2017 - interest or late fee or penalty for delayed payment of any consideration for any supply.	<p>To ensure strict compliance, terms and conditions of contracts entered with the recipients, a brief summary for top debtors, say 25, be prepared.</p> <div style="border: 1px solid black; padding: 10px; text-align: center;"> </div> <p>Policy adopted contrary to the above may be reviewed again before finalizing the Balance Sheet.</p> <p>Let’s take a case study: A broking house recovers delayed payment charges (DPC) from it’s customers who fail to pay the settlement amount within due time, say, T+3 days. ‘Securities’ are neither a ‘good’ nor a ‘service’, and is thus outside the ambit of ‘supply’. One school of thought argues that as there is no ‘supply’, the provision wouldn’t apply in this case. Another school of thought argues that under such circumstances, the broker pays the amount to the Stock Exchange for settlement of account from it’s own bank account. Scope of supply is very wide, inter alia includes ‘agreeing to the obligation to tolerate an act or a situation’ and thus falls within the scope of supply. Provision under this sub-section thus applies in this instant case. Government of India (GoI) has recently clarified via FAQs on Stock Broking Sector that tax (GST) shall be levied on delay payment charges realised from clients which at least indicates the intention of the revenue.</p>

6.2	Section 15(3) of the CGST Act, 2017 – the value of supply shall not include any discount under certain conditions	<div style="text-align: center;"> <pre> graph TD A[Discount not included in value of supply] --> B[When discount is recorded before or at the time of supply in invoice] A --> C[After the supply, in terms of an agreement entered into before the supply, linked to relevant invoices] A --> D[Input Tax Credit (ITC), attributable to the discount on the basis of document] </pre> </div> <p>Offering discount under different scenarios is a common practice in trade and commerce. Discount can be either a quantity discount or a price discount or a combination of both. Post sale discounts offered are generally conditional, e.g, bulk purchase discount which is periodical and to boost sales, early payment discount, breakage discount in case of perishable FMCG products, quarter end or yearend target achievement incentives in the form of discount etc. Burden of proof is on the assessee (taxable person) that all such discounts were given in terms of the agreement entered in to with the vendors before supply took place and to correlate with each such single tax invoice.</p> <p>Taxpayers, suppliers and recipients both are strongly recommended to take due care of appropriate documentations for furnishing explanations to external authorities. It is apprehended that in the event of such failure, the external authorities may consider the discount amount as part of value of supply with corresponding incidence of tax.</p>																		
6.3	Section 15(4) of the CGST Act, 2017 – value of supply of goods or services or both as may be prescribed	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">CGST Rules, 2017</th> <th style="text-align: left;">Description</th> </tr> </thead> <tbody> <tr> <td>Rule 27</td> <td>consideration is not wholly in money</td> </tr> <tr> <td>Rule 28</td> <td>valuation between distinct or related person, other than through an agent</td> </tr> <tr> <td>Rule 29</td> <td>supply of goods made or received through an agent</td> </tr> <tr> <td>Rule 30</td> <td>supply of goods or services or both on cost</td> </tr> <tr> <td>Rule 31</td> <td>residual method of determination of value</td> </tr> <tr> <td>Rule 31A</td> <td>value of supply of lottery, betting, gambling or horse racing</td> </tr> <tr> <td>Rule 32</td> <td>value in respect of certain supplies</td> </tr> <tr> <td>Rule 33</td> <td>Value of supply of services in case of pure agents</td> </tr> </tbody> </table>	CGST Rules, 2017	Description	Rule 27	consideration is not wholly in money	Rule 28	valuation between distinct or related person, other than through an agent	Rule 29	supply of goods made or received through an agent	Rule 30	supply of goods or services or both on cost	Rule 31	residual method of determination of value	Rule 31A	value of supply of lottery, betting, gambling or horse racing	Rule 32	value in respect of certain supplies	Rule 33	Value of supply of services in case of pure agents
CGST Rules, 2017	Description																			
Rule 27	consideration is not wholly in money																			
Rule 28	valuation between distinct or related person, other than through an agent																			
Rule 29	supply of goods made or received through an agent																			
Rule 30	supply of goods or services or both on cost																			
Rule 31	residual method of determination of value																			
Rule 31A	value of supply of lottery, betting, gambling or horse racing																			
Rule 32	value in respect of certain supplies																			
Rule 33	Value of supply of services in case of pure agents																			

G Eligibility and conditions for taking input tax credit under section 16 of the CGST Act, 2017 & corresponding SCST / UGST Act, 2017			
Sl. No	Transactions categorised in accordance with GST law	Corresponding check with financial accounts in revenue account	Remarks
7.0	Sec 16(2) of the CGST Act, 2017 – a. recipient is in possession of a tax invoice or debit note or such other documents; b. recipient has received the goods or services or both;	i. Pre-paid expenses as appearing in the Balance Sheet date. ii. Input tax credit (ITC) claimed during the period.	i. It might so happen that a taxable person has paid for some services in the FY 2017 – 2018 based on the tax invoice received and services might be receivable in some part during the FY 2018 – 2019, e.g, insurance premium paid for the period October 2017 to September, 2018. Proportionate premium amount for the period April, 2018 to September, 2018 will be recorded as pre-paid expenses as at 31.03.2018 in the books of accounts and input tax credit for the same period cannot be claimed in the FY 2017 – 2018 as services have not been received . ii. It is recommended to check to ensure that all the conditions as stipulated under Rule 36 of the CGST Rules, 2017 have been complied with.
7.1	Second proviso to sec 16(2) of the CGST Act, 2017 – the recipient fails to pay the	Analyse invoice wise creditor aging statement as at 31.03.2018 against receipt of inward taxable supplies	Reversal of input tax credit claimed along with interest thereon. Necessary adjustment entries are

	supplier of goods or services or both, value of supply along with tax payable within a period of 180 days from the date of issue of tax invoice.	w.e.f 01.07.2017 to identify outstanding tax invoice(s) more than 180 days, if any , either in part or in full, vide which taxable goods or services or both, were supplied by the creditor(s), and input tax credit (ITC) was claimed by the recipient.	recommended to be recorded in the books of accounts as at the year end.
7.2	Third proviso to sec 16(3) of the CGST Act, 2017 – payment after 180 days and reclaim credit of input tax amount	Analyse bill wise payment to creditors statement against all taxable inward supplies w. e. f 01.07.2017 to identify: whether any payment has been made during the year exceeding 180 days but within 31.03.2018;	To ascertain whether requisite actions have been taken in accordance with the provision, and if not, corrective actions be planned and taken.
7.3	Sec 16(3) of the CGST Act, 2017 – tax component not capitalised	Recheck the fixed asset and CWIP schedule for the additions made during the period July 2017 to March 2018.	To ensure that tax amount has not been capitalised credit of which, being eligible, has been claimed by the taxable person during the year.

H. Apportionment of credit and blocked credit under section 17 of the CGST Act, 2017 & corresponding SCST / UGST Act, 2017			
Sl. No.	Transactions categorised in accordance with GST law	Corresponding check with financial accounts in revenue account	Remarks
8.0	Sec 17(1) of the CGST Act, 2017 – goods or services or both, partly used for business and partly for other than business	Recommended to corroborate with all such expenditures that are likely to be disallowed under section 37 of the Income Tax Act, 1961.	Input tax credit (ITC) attributed to such non-business expenditures cannot be availed. It is recommended to recheck the computation under Rule 42 of the CGST Rules, 2017 to ensure accurate compliance in accordance with law.
8.1	Sec 17(2) of the CGST Act, 2017 – ‘input’ and ‘input services’ used partly for effecting taxable services including zero-rated supplies and partly for effecting exempt supplies		It is recommended to recheck the computation under Rule 42 of the CGST Rules, 2017 to ensure accurate compliance in accordance with law.
It is advisable to prepare month wise statement of ineligible credits with corresponding natural accounts for verification with financial accounts and month wise statement of reversal of credit.			
8.2	Sec 17(5) of the CGST Act, 2017 – list of blocked credits.	(a). Input tax credit (ITC) in respect of Motor vehicles or other conveyances except when they are used for supplies as stipulated in the law. It is recommended to prepare month wise statement of expenses with corresponding natural account, input tax credit of which have not been claimed.	i. Intention of the law is probably to deny ITC on purchase and related activities on motor vehicles for specified categories of taxable persons. ii. There are two different school of thoughts, as the words used in the Act are “...in respect of...” and not “...in relation to...”. Thus one can argue that ITC on other activities, e.g. insurance, repairs and maintenance of motor vehicles etc carried out in respect of motor vehicles can be claimed. iii. However, in either cases, preparation of month wise detailed statements are strongly recommended.
8.3		(g) Goods or services or both, used for personal consumption.	i. May be corroborated with expenses reportable in Income Tax Audit u/s 44AB of the Income Tax Act,1961. ii. It is recommended to prepare month wise detailed statements along with corresponding natural accounts.
8.4		(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.	i. Month wise statement of reversal of input tax credit (ITC) under each category is recommended; ii. It is argued that input tax credit (ITC)

		<p>against goods disposed of by way of gifts, as a measure of business promotional expenditure would qualify to be considered as eligible credit as those activities have been carried out 'in the course of or furtherance of business',</p> <p>iii. Admissibility of ITC would also depend on types of free issue of 'goods', e.g, offering one cartoon of biscuit free against purchase of 10 cartoons of biscuits by a biscuit manufacturer or offering a dozen of ball pens free for purchase of a dozen of shirts by an apparel manufacturing entity.</p> <p>iv. Thus, it is recommended to prepare details of scheme wise free issue of goods and corresponding treatment of input tax credit (ITC) for a ready reference for offering explanation with documentary evidence to external authorities.</p>
8.5	All other clauses of sec 17(5).	Preparation of monthly statement of blocked credits.

The above points have been discussed not to address issues of any specific industry but an honest attempt has been made to prepare a checklist from GST point of view before Balance Sheet of a taxable person is finalised for the FY 2017 - 2018. The points/topics discussed above, will not only measure the GST preparedness of the assessee, but would also make the 'taxable person' ready with ground work for filing annual return, prepare reconciliation statement, GST Audit and GST assessment.