



A COMPREHENSIVE GST CHECKLIST BEFORE FINALISATION OF BALANCE SHEET FOR THE FY 2017 - 2018 FOR REGISTERED PERSONS - PART 2

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This part of the article is written in continuation with 'Part 1' published in the Tax Bulletin dated 18.06.2018.

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 they appear in GST law.

I Taking input tax credit in respect of inputs and Capital goods sent for job work and transitional provision relating to Job work under section 19 and 141 respectively of the CGST Act, 2017 & corresponding SCST / UTGST Act, 2017		
Sl. No	Transactions and check points	Remarks
9.0	In business, a manufacturer often sends 'goods' to a job worker for getting further work done on them. 'Goods' are either received back at the premises of the manufacturer or the manufacturer sends them to another job worker for further processing or sells the 'goods' directly there from. 'Goods' however may also be sold from the manufacturer's premises as well. Specific actions are prescribed under GST law as the aspect of input tax credit (ITC) varies with the periodicity.	
9.1	Job worker wise & input wise, status of inputs sent to job workers by the principal prior to the appointed date, i.e, 01 st July, 2017. No tax is required to be paid if returned to the place of business of the principal within the stipulated time period.	Sub-section (1) of section 141 of the CGST Act, 2017 with corresponding SGST/UTCGS Act, 2017.
9.2	Job worker wise & semi-finished goods wise, status of such goods sent to job workers by the principal prior to the appointed date, i.e, 01 st July, 2017. No tax is required to be paid if returned to the place of business of the principal within the stipulated time period.	Sub-section (2) of section 141 of the CGST Act, 2017 with corresponding SGST/UTGST Act, 2017.
9.3	Status of all excisable goods, manufactured at a place of business had been removed without payment of duty for carrying out tests or any other process not amounting to manufacture, to any other premises, whether registered or not before the appointed date. No tax is required to be paid if returned back within the stipulated time period.	Sub-section (3) of section 141 of the CGST Act.
9.4	The above exercise will facilitate reconciliation of data that were uploaded in Form GST TRAN – 1 , either by the principal or by the job worker [refer table 9(a) and 9(b) of Form GST TRAN - 1]	
9.5	<p>The principal shall, be allowed to input tax credit on inputs sent to a job worker directly by him for job work in GST regime;</p> <p>&</p> <p>The principal shall, be allowed to input tax credit on capital goods sent to a job worker directly by him for job work in GST regime.</p> <p>However claim of ITC is subject to conditions and restrictions as specified.</p> <p>It is recommended to prepare reconciliation statement containing at least the following details stated below:</p> <ul style="list-style-type: none"> • Whether the 'job worker' is registered or unregistered; • date of receipt of such 'inputs' / 'capital goods'; • date/month of claiming ITC; • date of sending to job worker under cover of 'Challan'; • date on which such 'inputs' or 'capital goods' were received back; • whether details have been furnished in Form GST ITC – 04? <p>It is strongly recommended to prepare the details job worker wise with corresponding details of input(s) or capital good(s) and challans.</p> <p>Point to ponder: What has been the taxable value declared in table 4 of Form GST ITC – 04 and the rationale behind that?</p>	<p>Sub-section (1) and sub-section (4) respectively of section 19 of the CGST Act, to be read with rule 45 of the CGST Rules 2017 with corresponding SGST & UTGST Rules 2017.</p> <p>Details of inputs / capital goods sent are to be filed in Form GST ITC – 04.</p>
9.6	The principal shall be allowed to input tax credit on inputs even if the inputs are	Sub-section (2) and sub-

	<p>directly sent to a job worker for job work without being first brought to his place of business & The principal shall be allowed to input tax credit on capital goods even if the capital goods are directly sent to a job worker for job work without being first brought to his place of business.</p> <p>All such details stated in point no 9.5 above are also recommended to be prepared.</p>	<p>section (5) respectively of section 19 of the CGST Act, 2017 with corresponding SGST & UTGST Act, 2017. Details of inputs / capital goods sent are to be filed in Form GST ITC – 04.</p>
9.7	<p>Whether the 'inputs' sent for job work have been received back within the period of one year of being sent out from the place of business of the principal or from the date of receipt of 'inputs' by the job worker when they were directly sent out Or Whether the 'capital goods' sent for job work have been received back within the period of three years of being sent out from the place of business of the principal or from the date of receipt of 'capital goods' by the job worker when they were directly sent out.</p> <p>It is recommended to prepare reconciliation statement containing at least the following details stated below:</p> <ul style="list-style-type: none"> • whether the job worker is registered or unregistered; • date of received back or date of sent to another job worker; • date of 'supply' from the place of job worker; • challan details including dates; • invoice no and date in case of supply from the place of job worker; <p>whether the details have been furnished in table 5 of Form GST ITC – 04 and in case of taxable supply, whether the same has been included for furnishing details in FORM GSTR – 1 and monthly summary return in FORM GSTR – 3B?</p>	<p>Sub-section (3) and sub-section (6) respectively of section 19 of the CGST Act, 2017 with corresponding SGST & UTGST Act, 2017. Details of inputs / capital goods sent are to be filed in Form GST ITC – 04.</p>
9.8	<p>It is further recommended to prepare the following three separate statements for a better control :</p> <ol style="list-style-type: none"> 1. Statement containing details of 'inputs' sent to job worker by the principal, not received back within 31.03.2018 and input tax credit claimed on such 'inputs' and similarly 2. Statement containing details of 'capital goods' sent to job worker by the principal, not received back within 31.03.2018 and input tax credit claimed on capital goods. 3. Statement of 'inputs' or 'capital goods' sent to job workers for job work prior to the appointed date, i.e, 01st July, 2017 and not received back within 31st March, 2018. 	
9.9	<p>Moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work and either received back within 31st March, 2018 or still lying with the job worker.</p>	<p>Sub-section (7) of section 19 of the CGST Act with corresponding SGST & UTGST Act, 2017.</p>
9.10	<p>Generation of scrap during the process of job work is normal. Treatment of scraps generated, whether disposed of or returned back, needs a final review for it's recording and reconciliation. Scraps generated and lying with job worker need to be separately recorded.</p> <p>In some industry, a certain percentage of scrap generation is allowed during the process of job work. It is likely that a gain in the form of lower generation of scrap is made. A quantitative reconciliation is recommended to be made to square off such transactions at the end of each financial year.</p>	

J Distribution of credit by Input Service Distributor (ISD) under section 20 of the CGST Act, 2017 with corresponding SCST / UTGST Act, 2017		
Sl. No	Transactions and check points	Remarks
10.0	<p>Total input tax credit (ITC) received for distribution, identification of eligible/ineligible ITC to be distributed, credit transferred by input service distributor (ISD) for the period July 2017 to March 2018.</p> <p>Special attention is drawn to the fact that vide Notification No. 25/2018 – Central Tax dated 31st May, 2018, filing of Form GSTR-6 for the period July 2017 to June, 2018 has been extended till 31st day of July, 2018.</p> <p>As the credit has already been distributed, an internal reconciliation with the recipient of credit be done internally to avoid mismatch of ITC.</p>	<p>Section 20 of the CGST Act, 2017 to be read with rule 39 and rule 65 of the CGST Rule, 2017 with corresponding SGST / UTGST Rules, 2017.</p>

K Debit Note / Credit Note issued under section 34 of the CGST Act, 2017 with corresponding SCST / UTGST Act, 2017		
Sl. No	Transactions and check points	Remarks
11.0	<p>Year end reconciliation of all credit note / debit note issued or to be issued by a supplier of goods or services or both for making outward supplies.</p> <p>a. Following are different conditions which warrant for issuance for a credit</p>	<p>i. tax rate has been lowered for many items during the period, review all such</p>

	<p>note:</p> <p>i. taxable value or tax charged in tax invoice is found to exceed the taxable value or tax payable in respect of supply;</p> <p>ii. goods supplied but returned by the recipient to the supplier;</p> <p>iii. goods or services or both supplied, but found to be deficient and returned to the supplier;</p> <p>iv. post supply, different type of discounts are given by the supplier in terms of conditions set out before supply took place which is common in trade;</p> <p>b. taxable value or tax charged in tax invoice is found to be less than the taxable value or tax payable in respect of the supply, a debit note shall be issued by the supplier;</p> <p>c. Similarly reconciliation of credit note/debit note issued to the recipient of goods or services or both during the period.</p>	<p>reduction in terms of 'time of supply' to ascertain whether credit note is required to be issued;</p> <p>ii. Ensure that tax treatment has been properly reflected in books and returns.</p>
11.1	Reconciliation of non-GST Debit Note/Credit Note issued during the tax periods under GST regime.	

L	Review 'Place of supply' for all supplies made : inter-State and intra-State supply as defined under section 7 and section 8 of the IGST Act, 2017 respectively	
Sl. No	Transactions and check points	Remarks
12.0	In case of 'inter-State supply' IGST shall be levied;	'place of supply' and 'location of supplier' are in two different States/UTs
12.1	In case of 'intra-State supply' CGST plus SGST shall be levied;	'place of supply' and 'location of supplier' are in same State/UT
12.2	It is recommended to review ' place of supply ' for all supplies made during the period under review, more particularly where " Bill to " and " Ship to " against a consignment are in two different States / Union Territory.	Necessary rectification is suggested if inter-State supply has been treated as intra-State supply and vice versa.
12.3	Tax component, i.e, IGST or CGST plus SGST, charged in Debit Note / Credit Note issued against invoice(s) against the above invoices.	For reasons stated in point no. 11.0
12.4	Supply of goods / services made to or by SEZ units or SEZ Developer	inter-State supply
12.5	Goods imported into the territory of India	inter-State supply
12.6	Supplies made to tourists referred in Section 15	inter-State supply

M	Import of goods and Export of services	
Sl. No	Transactions and check points	Remarks
13.0	" import of goods " with its grammatical variations and cognate expressions, means bringing of goods into India from a place outside India;	Sub-section (10) of the IGST Act, 2017
13.1	It is recommended to prepare monthly reconciliation statement between IGST paid on import of goods and IGST value as reflected on ICEGATE portal to find out reasons of difference, if any. Input Tax Credit (ITC) available on import of 'goods' is claimed in FORM GSTR-3B [Table 4(A)(1)]. Government authorities have been reported to have started matching monthly IGST credit amount availed by the assessee with the IGST value as reflected on ICEGATE portal. Mismatch if any, can be explained from the reconciliation statement which can also be offered to all external authorities.	
13.2	" export of services " means the supply of any service when,— <ul style="list-style-type: none"> i. the supplier of service is located in India; ii. the recipient of service is located outside India; iii. the place of supply of service is outside India; iv. the payment for such service has been received by the supplier of service in convertible foreign exchange; and v. the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with <i>Explanation 1</i> in section 8; 	Sub-section (6) of the IGST Act, 2017
13.3	The above points may be termed as check points of exports. It is recommended to ensure that certificates from bank for receipt of foreign currency against all export invoices have been obtained as a matter of proof against point no (iv). However, supply of services having place of supply in Nepal and Bhutan (landlocked countries), against payment of Indian Rupees have been permitted vide Notification No. 42/2017 – Integrated tax (Rate) dated 27 th October, 2017. It is further recommended to prepare a statement of all such payments received in Indian Rupees against export of services to Nepal and Bhutan be prepared from bank statement(s).	

N		'Zero rated supply' as defined in section 16 of the IGST Act, 2017	
Sl. No	Transactions and check points		Remarks
14.0	<p>"zero rated supply" to mean any of the following supplies of goods or services or both, namely:-</p> <p>a) export of goods or services or both; or</p> <p>b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.</p>		Sub-section (1) of section 16 of the IGST Act, 2017
14.1	clause (a) of sub-section (3) of section 16 of the IGST Act, 2017 <i>inter alia</i> permits a taxable person to supply goods or services or both under bond or Letter of Undertaking, without payment of integrated tax and claim refund of unutilized input tax credit.	clause (b) of sub-section (3) of section 16 of the IGST Act, 2017 <i>inter alia</i> permits a taxable person to supply goods or services or both on payment of integrated tax and claim refund of IGST paid on goods or services or both supplied.	
14.2	All such sum, stands as refundable as at 31 st March, 2018 recommended to be transferred to 'refund receivable account'.		

O						Accounts and other records to be maintained as defined under section 35 of the CGST Act, 2017 with corresponding SGST/UTGST Act, 2017					
Sl. No		Particulars									
15.0		Every 'registered person' has been mandated to keep and maintain certain accounts and records under GST law.						Sub-section (1) of section 35 of the Act.			
15.1		<p>i. Sub-section (94) of section 2 of the CGST Act, 2017 stipulates "registered persons" to mean a person who is registered under section 25 but does not include a person having a Unique Identity Number;</p> <p>ii. Sub-section (84) of section 2 of the CGST Act, 2017 stipulates a person to include an individual, a HUF, a company, a firm, a LLP.</p> <p>iii. A brief comparison of records to be maintained under different Acts is given below:</p>									
15.2		Particulars/ Pointers	CGST Act, 2017 with corresponding SGST / UTGST Act and Rules	Companies Act, 2013	LLP Act, 2008	The Income Tax Act, 1961					
i.		Applicable section	Section 35 of the Act to be read with Rule 56.	Sub-section (13) of section 2 and section 128 of the Act.	Sub-section (1) of section 34 of the Act to be read with Rule 24 of the Limited Liability Partnership Rules, 2009	Section 44AA of the Act, to be read with Rule 6F.					
ii		Applicable to	Every person registered under the GST Act.	Every company registered under either the Companies Act, 2013 or the Companies Act, 1956 or any previous Act	Every partnership registered under the LLP Act, 2008.	Professions specified in Rule 6F with prescribed gross annual income / turnover.					
iii.		Place of maintenance of books of accounts	Principal place of business as mentioned in REG-06 ; In case more than one place of business is specified in REG-06, accounts relating to such place of business.	Registered office of the company as mentioned in the Certificate of registration issued by the Registrar of Companies	Registered office	These books should be maintained at the Head Office or at each of the offices.					
iv.		Accounts and records to be maintained to give a true and correct account	(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;	"books of account" includes records maintained in respect of - (i) all sums of money received and expended by a company and matters in relation to which the receipts	The books of accounts shall contain- (a) particulars of all sums of money received and expended by the limited liability	Specified books of account as per Rule 6F- (a) Cash book A record of day to day cash receipts and payments which shows cash balance at the end of the day or at best at the end of the each month and not					

		<p>(e) output tax payable and paid; and</p> <p>(f) such other particulars as may be prescribed:</p> <p>In addition to the above, as per Rule 56 of the CGST Rules, 2017:</p> <p>(g) a true and correct account of the goods or services imported or exported or of supplies attracting payment of tax on reverse charge along with the relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.</p> <p>(h) Every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.</p> <p>(i) Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.</p> <p>(j) Such other details as mentioned in rule 56.</p>	<p>and expenditure take place;</p> <p>(ii) all sales and purchases of goods and services by the company;</p> <p>(iii) the assets and liabilities of the company; and</p> <p>(iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;</p>	<p>partnership and the matter in respect of which the receipt and expenditures take place;</p> <p>(b) a record of the assets and liabilities of the limited liabilities partnership;</p> <p>(c) statement of cost of goods purchased, inventories, work-in-progress, finished goods and cost of goods sold; and</p> <p>(d) any other particulars which the partners may decide.</p> <p>Rule 24(2).</p>	<p>later.</p> <p>(b) A journal according to mercantile system of accounting</p> <p>A journal is a log of all day to day transactions. It is a record, in accounting terms, where total credits equal total debits, when we follow the double entry system of accounting ie each debit has a corresponding credit and vice versa.</p> <p>(c) A ledger where all entries flow from the journal, has details of all accounts, this can be used to prepare the financial statements.</p> <p>(d) Photocopied of bills or receipts issued by you which are more than Rs 25</p> <p>(e) Original bills of expenditure incurred by you which are more than Rs 50</p> <p>(f) Following are the additional requirements in case of a person carrying on medical profession — physicians, surgeons, dentists, pathologists, radiologists, etc.</p> <p>(g) Daily cash register with details of patients, services rendered, fees received and date of receipt</p> <p>(h) Details of stock of drugs, medicines, and other consumables used.</p>
v.	Period of maintenance of books	Books of accounts shall be retained until the expiry of seventy-two months	For a period of not less than 8 financial years immediately preceding the	The books of account which a limited liability partnership is	Each year's books must be kept for a period of 6 years from the end of the end of that year.

		from the due date of furnishing of annual return for the year pertaining to such accounts and records.	financial year.	required to keep shall be preserved for eight years from the date on which they are made.	
15.3	<p>It is understood from the above that a very exhaustive list of documents / records are to be maintained in GST regime.</p> <p>Thus it is advisable to reconcile records in respect to certain transactions as stated below and obtain a confirmation from the other party:</p> <ol style="list-style-type: none"> whether any 'stock' is standing with any agent as at 31st March, 2018 and whether adequate GST was paid on removal; details of 'inputs', 'semi-finished goods' or 'capital goods' lying with each job worker at the year end; when any goods have been sent on approval basis but not received back within 31st March, 2018; goods supplied by one distinct person but not received by the other distinct person at the year end; 				

Other important provisions of GST law including payment of tax, filing of return, transitional provisions etc shall be discussed in the third and concluding part along with few touch points between the tax (Goods and Services Tax & Income Tax) laws.