



A COMPREHENSIVE GST CHECKLIST BEFORE FINALISATION OF BALANCE SHEET FOR THE FY 2017 - 2018 FOR REGISTERED PERSONS - PART 3

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This being the concluding part of this series of articles, may be read with 'Part 1' and 'Part 2', published earlier, to form an overall idea in relation to the captioned headline. The following points may be checked for each GSTIN of a 'taxable person' having a single PAN. In this write up, some major chapters are discussed chronologically as they appear in GST law.

P	CHAPTER IX – 'Returns' including 'Transitional arrangements for input tax credit' under CHAPTER XX of the CGST Act, 2017 & corresponding SGST / UTGST Act, 2017	
Sl. No	Transactions and check points	Remarks
16.0	Financial activities carried out by Trade and Commerce, Business and Profession etc. are recorded in books of accounts under various statutes and such financial activities are reported to the authorities in prescribed formats, known as 'return' in common parlance. However in GST law 'return formats' have been prescribed for other than financial activities as well. Our discussions will be limited to the topic mentioned against point no P.	
16.1	Transitional arrangements for input tax credit – section 140 of the CGST Act, 2017 to be read with CGST Rules, 2017 and corresponding SGST/ UTGST Act, 2017 and SGST/UTGST Rules, 2017	
16.2	A registered person, other than a person opting to pay tax under section 10 (composition scheme), shall be entitled to take in his electronic credit ledger, the amount of CENVAT credit carried forward in the return relating to the period ending with the day immediately preceding the appointed day, i.e, 1 st July, 2017, furnished by him under the existing law. Sub-rule (1) of rule 117 of CGST Rules, 2017 stipulates that every registered person entitled to take credit of input tax under section 140 shall, within ninety days of the appointed day , submit a declaration electronically in FORM GST TRAN – 1 , duly signed, on the common portal specifying therein, separately, the amount of input tax credit of eligible duties and taxes. However, the period of submitting the declaration in FORM GST TRAN – 1 was extended quite a number of times as per details given below:	
16.3	i. Extension of time limit for submitting the declaration in FORM GST TRAN – 1 under rule 120A of the CGST Rules, 2017 till 31st October, 2017 , i.e, for revision of FORM GST TRAN – 1 already filed;	Vide Order No.02/2017-GST dated 18 th September, 2017 by Commissioner (GST)
	ii. Extension of time limit for submitting the declaration in FORM GST TRAN – 1 under rule 117 of the CGST Rules, 2017 till 31st October, 2017;	Vide Order No.03/2017-GST dated 21 st September, 2017 by Commissioner (GST)
	iii. Extension of time limit for submitting the declaration in FORM GST TRAN – 1 under rule 117 of the CGST Rules, 2017 till 30th November, 2017;	Vide Order No.07/2017-GST dated 28 th October, 2017 by Commissioner (GST)
	iv. Extension of time limit for submitting the declaration in FORM GST TRAN – 1 under rule 120A of the CGST Rules, 2017 till 30th November, 2017 , i.e, for revision of FORM GST TRAN – 1 already filed;	Vide Order No.08/2017-GST dated 28 th October, 2017 by Commissioner (GST)
	v. Extension of time limit for submitting the declaration in FORM GST TRAN – 1 under rule 117 of the CGST Rules, 2017 till 27th December, 2017;	Vide Order No.09/2017-GST dated 15 th November, 2017 by Commissioner (GST)
	vi. However, during this period due to technical glitches on the GST portal a lot of difficulties were faced by a section of taxpayers who being aggrieved filed writ petitions before Hon'ble High Courts. In the case of M/s.Continental India Private Limited And Another Vs Union Of India, Hon'ble High Court of Allahabad directed in it's order dated 24 th January, 2018 to reopen the portal within two weeks from the date of the order failing which the appropriate authorities would follow the directions as stated in the said order including entertaining manual application. Order passed by Hon'ble High Court of Allahabad, as discussed above, has been upheld by the Hon'ble Bombay High Court in the case of Abicor and Binzel Technoweld Pvt. Ltd. V/s The Union of India and Anr. In this regards the Hon'ble High Court further observed that "We would also be constrained to pass such order and that would not be restricted to the petitioner before us alone."	Where FORM GST TRAN – 1 couldn't be filed within 31 st March, 2018, balance of CENVAT Credit account as at 01.07.2017, may be kept at receivable accounts under current assets as at 31 st March, 2018 and be passed to the electronic credit ledger upon filing of FORM GST TRAN - 1 in the FY 2018 - 2019.

	<p>Notification No. 22/2018 – Central Tax dated 14th May, 2018 vide which the late fee payable under section 47 of the GST law was waived for the period October, 2017 to April, 2018 for the class of registered persons whose declaration in FORM GST TRAN – 1 was submitted but not filed on the common portal on or before the 27th day of December, 2017 but have filed on or before the 10th May, 2018 and the return in FORM GSTR – 3B on or before the 31st day of May, 2018, may be considered as a consequential measure by the Government of India in the light of similar orders, as discussed above, passed by different High Courts.</p>																																																													
16.4	<p>A taxpayer other than a person opted to pay tax under section 10, shall be entitled to take in his electronic credit ledger, the amount of CENVAT credit carried forward in the return furnished by him under the existing law relating to the period ended 30th June, 2017, within the stipulated time, discussed above. What would happen to the entitled CENVAT credit amount when such a taxpayer has not attempted to file unknowingly FORM GST TRAN – 1?</p> <p>Telangana & AP High Court admitted writ petition challenging Constitutional validity of time limit stipulated in Rule 117(1) of CGST Rules / Telangana GST Rules and first proviso thereto for filling of FORM GST TRAN – 1;</p> <p>Similar writ petition has been filed before Gujarat High Court challenging Constitutional validity and vires of second proviso to Section 140(1) of the Gujarat GST Act, 2017 and Constitutional validity and vires of Rule 117 of the Gujarat GST Rules, 2017 and Form GST Tran – 1;</p>	<p>As the outcome of the writ petitions are pending at the time of writing the article, or remain pending at the time of finalisation of balance sheet for the FY 2017 – 2018, eligible CENVAT credit amount which became contingent asset in nature, may not be considered for writing off in the FY 2017 - 2018. However, such a decision may be considered only after taking into cognizance of the effect of such decision in other statutes.</p>																																																												
16.5	<p>Whether the taxable person has taken 60%/40% credit on stock as at 30.06.2017 and has made corresponding reduction in the value of stock. The same may be also additionally verified from the stock statement submitted to banks/FIs.</p>	<p>Although not mandated in GST law, but is advisable to the closing inventory audited as at 30.06.2017 for future reference.</p>																																																												
16.6	<p>Last date of filing of Service tax return for the period April, 2017 to June, 2017 was 15th August, 2018 in term of Notification No. 18/2017 – Service Tax dated 22nd June, 2017. Liability to pay tax (ST) under reverse charge mechanism (RCM) arise on making payment to vendor.</p> <p>Where the invoice was received from vendor after 15th August, 2017, against service(s) made by the vendor in pre-GST regime and on payment being made to the vendor thereafter on receipt of invoice(s), liability of tax (ST) under RCM arose. Such amount of credit could not be taken in the ST return.</p>	<p>Taxpayers who have deposited the tax amount in compliance with the provision of the earlier law, credit of which could not be claimed, may consider to defer or not to defer writing off the amount appearing at the debit side of the receivable account at later period, depending on the materiality aspect.</p>																																																												
16.7	<p>It is recommended to prepare a list of statutory forms which were not received at the time of filing Form GST TRAN – 1 due to which input tax credit couldn't be carried forward to GST regime. Whether all pending forms have been received? It is advisable to prepare a detailed reconciliation statement as at the year end. A suggestive format is given below:</p> <table border="1" data-bbox="330 1516 1078 1875"> <thead> <tr> <th>TIN of Issuer</th> <th>Name of Issuer</th> <th>Sr. No. of Form</th> <th>Amount (₹)</th> <th>Applicable VAT Rate</th> <th>Differential Tax amount/Tax amount not carried forward (₹)</th> </tr> </thead> <tbody> <tr> <td colspan="6">C-Form</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="6">Total</td> </tr> <tr> <td colspan="6">F-Form</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="6">Total</td> </tr> <tr> <td colspan="6">H/I-Form</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="6">Total</td> </tr> </tbody> </table>	TIN of Issuer	Name of Issuer	Sr. No. of Form	Amount (₹)	Applicable VAT Rate	Differential Tax amount/Tax amount not carried forward (₹)	C-Form												Total						F-Form												Total						H/I-Form												Total						<p>a. Amount of input tax credit couldn't be carried forward due to non receipt of statutory forms, shall be refunded under the existing law when the said claims are substantiated in the manner prescribed [refer third proviso to sub-section (1) of section 140 of State/UT GST Acts, 2017].</p> <p>b. In case, it is ascertained by a taxpayer that there exists no possibility of receiving statutory form(s), corresponding ITC amount may be considered to be written off.</p>
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16.8	Filing of 'Return' in GST regime under CHAPTER IX																																																													
16.9	What has been the procedure envisaged in the law?	What has so far been done?																																																												

	<p>a. Furnishing details of outward supplies (Sec 37); b. Furnishing details of inward supplies (Sec 38); c. Furnishing of return (Sec 39);</p>	<p>a. Furnishing details of outward supplies (Sec 37); b. Furnishing return in FORM GSTR – 3B; (Vide Notification No. 17/2017 – Central Tax dated 27th July, 2017, sub-rule (5) of rule 61 of the CGST Rules, 2017 was substituted to include filing of return in FORM GSTR – 3B when time limit for furnishing of details in FORM GSTR – 1 u/s 37 and FORM GSTR – 2 u/s 38 has been extended)</p>																
16.10	<p>Other relevant sections: a. Section 41 of the CGST Act, 2017 stipulates that every registered person shall be entitled to take the credit of eligible input tax , as self assessed, in his return, and such amount shall be credited on a provisional basis to his electronic credit ledger; b. Section 42 of the CGST Act, 2017 stipulates about matching, reversal and reclaim of input tax credit in prescribed manner;</p>																	
16.11	<p>Broadly the online matching, addition, modification and deletion steps as were envisaged can be explained from the diagram given below:</p> <pre> graph TD S1[Step - 1: Outward supplies filed in Form GSTR - I] --> S2[Step - 2: Available to the recipients in Part - A of Form GSTR - 2A, 4A & 6A for addition, correction or deletion] S2 --> S3[Step - 3: Form GSTR - 2 of the recipient shall be filed.] S3 --> S4[Step - 4: All such modifications shall be electronically communicated to the supplier on common portal in GSTR - 1A] S4 --> S5[Step - 5: Supplier may accept or reject such modification, and Form GSTR - 1 of the supplier shall stand as amended] </pre>																	
16.12	<p>As input tax credit is self assessed and taken on a provisional basis by the taxable person, it is imperative to first understand the interconnectivity between FORM GSTR – 1 and FORM GSTR – 3B so that reconciliation of data can be done:</p> <table border="1"> <thead> <tr> <th>Details of outward supplies of goods and services</th> <th>Relevant Table in Form GSTR - 1</th> <th>Relevant table in FORM GSTR - 3B</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Taxable outward supplies made to registered persons</td> <td>4A, 4B, 4C,</td> <td>3.1(a)</td> <td>B2B transactions – details of invoices of taxable supplies made to other registered persons.</td> </tr> <tr> <td>Taxable outward Inter-State supplies made to un-registered persons</td> <td>5A, 5B</td> <td>3.1(a)</td> <td>B2C transactions – details of invoices where invoice value is > ₹2.50 lakh.</td> </tr> <tr> <td>Taxable supplies (net of debit notes and credit notes) made to un-registered persons</td> <td>7</td> <td>3.1(a)</td> <td>B2C transactions – details of the followings: a. consolidated rate wise outward Intra-State supplies; b. Inter-State supplies where invoice value is up to ₹2.50 lakh;</td> </tr> </tbody> </table>	Details of outward supplies of goods and services	Relevant Table in Form GSTR - 1	Relevant table in FORM GSTR - 3B	Remarks	Taxable outward supplies made to registered persons	4A, 4B, 4C,	3.1(a)	B2B transactions – details of invoices of taxable supplies made to other registered persons.	Taxable outward Inter-State supplies made to un-registered persons	5A, 5B	3.1(a)	B2C transactions – details of invoices where invoice value is > ₹2.50 lakh.	Taxable supplies (net of debit notes and credit notes) made to un-registered persons	7	3.1(a)	B2C transactions – details of the followings: a. consolidated rate wise outward Intra-State supplies; b. Inter-State supplies where invoice value is up to ₹2.50 lakh;	
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	Exports, supplies to SEZ units or SEZ Developer	6A, 6B, 6C	3.1(b)	B2B transactions – details of invoices of taxable supplies made to other registered persons.
	Nil rated, exempted and non GST outward supplies	8A, 8B, 8C, 8D	3.1(c) and 3.1(d)	Details of supplies made during a tax period although the phrase ‘non GST’ has not been defined in GST law.
Data from monthly accounts are fed into FORM GSTR – 1 and FORM GSTR – 3B. Hence, it is advisable to carry out some checks to identify mismatches, if any, between monthly accounts vis-a-vis FORM GSTR – 3B vis-a-vis FORM GSTR – 1 , more particularly so as FORM GSTR – 3B has been filed earlier for all the months during the F.Y 2017 – 2018.				
16.13	<p>Few suggestive checks with regard to outward supplies are given below:</p> <ul style="list-style-type: none"> • whether there has been a wrong reporting in rate of tax; • whether there has been any error committed in identifying PoS, i.e, inter-State supply has been reported as intra-State supply and vice versa; • whether any invoice remains unreported; • whether any invoice has been over reported or under reported; • proper disclosure of outward supply liable to reverse charge; • whether every case of sales return has been reported; • whether tax has been charged against a supply which subsequently has been identified as a unit of SEZ where supply will be made against LUT? • whether a supply with tax made to a SEZ unit has been inadvertently shown under B2B supply? 			<p>In case of any inadvertent error, whether the same has been properly dealt with. Reference may be drawn to Circular No.26/26/2017-GST dated 29th December, 2017 for corrective course of action.</p>
16.14	<p>Similarly few checks are suggested on inward supplies:</p> <ul style="list-style-type: none"> • whether all the purchase returns have been properly adjusted; • whether any ITC remained unreported; • whether ITC has been under reported or over reported; • whether ITC on inter-State inward supply has been erroneously reported as intra-State ITC and vice versa; • whether ITC has been reversed as per law including reversal of common credit; • whether ineligible ITC has been properly reported; 			<p>In case of any discrepancy, whether the same has been properly dealt with. Reference may be drawn to Circular No.26/26/2017-GST dated 29th December, 2017 for corrective course of action.</p>
16.15	<p>As matching tax invoice on online portal through auto mated process, as explained above, has been kept in abeyance for the time being, it is advisable to carry out ‘vendor GST compliance assessment test’ for each registered vendor of a taxable person right from the period July, 2018 onwards.</p> <p>FORM GSTR-2A is a system generated ‘draft’ statement of inward supplies of a tax person which is auto populated from invoices uploaded / filed by the suppliers and become available for viewing.</p> <p>It is advisable to carry out month wise reconciliation of input tax credit (ITC) other than arising out of RCM, claimed by a taxpayer in his return in FORM GSTR – 3B vis-a-vis the details appearing in FORM GSTR-2A.</p> <p>Following actions may be initiated:</p> <ul style="list-style-type: none"> ❖ Identify the input tax credit (ITC) which has auto populated from Form GSTR-1/Form GSTR-5/Form GSTR -6; ❖ Similarly identify the input tax credit (ITC) which was claimed in FORM GSTR – 3B in a particular tax period but either has appeared in subsequent tax period(s) or hasn’t appeared in any tax period in FORM GSTR – 2A and the matter be taken up with corresponding vendor accordingly; ❖ Furthermore if any input tax credit (ITC), arising out of inward supplies made during any tax period in the F.Y 2017 – 2018, is identified as not claimed in FORM GSTR – 3B by the recipient of supply, such incidence(s) may immediately be scrutinised to ascertain whether the conditions are satisfied for availing input tax credit. ❖ In case the conditions are satisfied to avail ITC, CGST/SGST/IGST Receivable account with corresponding value be recorded as at 31st March, 2018 in the Balance Sheet; ❖ Such balance be transferred to electronic credit ledger and corresponding entries be made in the books of accounts; 			
Q	Payment of Tax – Chapter X			
17.0	<p>The following checks may be carried out:</p> <ul style="list-style-type: none"> • Whether tax has been paid within the due date, as due date of filing of FORM GSTR – 3B for different tax periods has been deferred; • whether late filing fees for some tax periods have been refunded to electronic cash ledger within 31st 			

	<p>March, 2018 and corresponding entries been made;</p> <ul style="list-style-type: none"> Notification details regarding waiver / reduction of late fees are as follows: <table border="1"> <thead> <tr> <th>Period</th> <th>Notification No. and date</th> </tr> </thead> <tbody> <tr> <td>July, 2017</td> <td>Late fees waived vide notification no. 28/2017 – Central Tax dated 01st September, 2017</td> </tr> <tr> <td>August and September, 2017</td> <td>Late fees waived vide notification no. 50/2017 – Central Tax dated 24th October, 2017</td> </tr> <tr> <td>October 2017 onwards</td> <td>1. Reduction in late fees from ₹ 50/- to ₹ 25/- for every day in case of central tax payable other than cases where central tax payable in the return is 'nil' vide notification no. 64/2017 – Central Tax dated 15th November, 2017, and 2. where central tax payable in the return is 'nil', the amount of late fees payable is exempted in excess of ₹ 10/-.</td> </tr> <tr> <td>October 2017 to April, 2018</td> <td>Late fees waived for class of registered persons vide notification no. 22/2018 – Central Tax dated 14th May, 2018.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> whether any amount has been inadvertently paid as penalty, and if yes whether refund has been claimed; whether an incidence of short payment of tax has been identified, and whether a provision for payment of tax has been made which is reportable u/s 43B of the IT Act, 1961; It is strongly recommended to reconcile monthly statements of electronic cash ledger, electronic credit ledger, electronic liability ledger with books of accounts and the closing balance of each ledger as at 31st March, 2018 be reconciled; 	Period	Notification No. and date	July, 2017	Late fees waived vide notification no. 28/2017 – Central Tax dated 01 st September, 2017	August and September, 2017	Late fees waived vide notification no. 50/2017 – Central Tax dated 24 th October, 2017	October 2017 onwards	1. Reduction in late fees from ₹ 50/- to ₹ 25/- for every day in case of central tax payable other than cases where central tax payable in the return is 'nil' vide notification no. 64/2017 – Central Tax dated 15 th November, 2017, and 2. where central tax payable in the return is 'nil', the amount of late fees payable is exempted in excess of ₹ 10/-.	October 2017 to April, 2018	Late fees waived for class of registered persons vide notification no. 22/2018 – Central Tax dated 14 th May, 2018.
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October 2017 to April, 2018	Late fees waived for class of registered persons vide notification no. 22/2018 – Central Tax dated 14 th May, 2018.										
R	Advance Ruling – Chapter XVII										
18.0	Sub-section (2) of section 97 of the CGST Act, 2017 stipulates the questions on which the advance ruling can be sought by the applicant. More than 90 Advance Rulings have been passed at the time of writing this article. Although the ruling is not binding on other registered persons, perhaps it would perhaps be prudent to review the rulings in case similar issue(s) being faced any registered person and an approach contrary to the ruling has been made by such taxable person.										
S	Anti-profiteering measure - Section 171 of the CGST Act, 2017 with corresponding SGST/UTGST Act, 2017										
19.0	It is recommended to calculate and compare gross profit ratio between the FY 2016 – 2017 and FY 2017 – 2018, and similarly between the period April, 2017 to June, 2017 and July, 2017 to March, 2018. A micro analysis would reveal whether reduction in rate of tax and availability of additional input tax credit have attributed to increase in gross profit. It is also pertinent to note that GP ratios are also to be reported in income tax audit report.										

An endeavour to the best of the ability has been made to identify and capture issues relating to Goods and Services Tax that might require a double check before finalisation of books of accounts for the FY 2017 – 2018, though the identified issues may not be an exhaustive list. Similarly issues identified are not any industry specific but are generic in nature. Hope the readers will find the information useful.

Disclaimer: The views expressed in these three consecutive articles under the captions, 1. "A comprehensive GST checklist before finalisation of Balance Sheet for the FY 2017 – 2018 for registered persons - Part 1", 2. "A comprehensive GST checklist before finalisation of Balance Sheet for the FY 2017 – 2018 for registered persons - Part 2" and 3. "A comprehensive GST checklist before finalisation of Balance Sheet for the FY 2017 – 2018 for registered persons - Part 3" are strictly personal views of the author. These publications contain information solely for informational purpose. It is neither a guidance note nor is intended to address any specific circumstance or situation of any particular individual or entity and does not constitute professional advice at all. The author does not accept any responsibility for any loss or damage of any kind arising out of any information in these three articles or for any actions taken in reliance thereon.