

# GST AUDIT CIRCULAR

## GST SPECIAL PROCEDURES TO BE FOLLOWED :

1	<p><b>Reconcile your GST</b> Input Tax Credit Claimed with Online GSTR-2A. If the credit claimed does not match with credit available online. GSTR-2A online credit can be viewed now.</p> <ul style="list-style-type: none"> <li>Excess : There may be some purchases and expenses which you have not accounted or ITC Claimed. Account and claim ITC.</li> <li>Shortage : Your supplier may not have paid GST and not filed GST Return. Ask him to pay and file the Return. Even if your supplier filed return, he may not have correctly quoted your GST No. Ask him to correct it in the subsequent months return Before September, 2018, by way of Debit Note in your name by referring the old invoice Number.</li> </ul> <p>What happens if not done : IF online credit is not available, then you have to pay the ITC as tax along with 24% interest p.a.</p>
2	<p>Similarly, while filing GSTR-1, we may also have wrongly quoted some of our customers GSTIN. Correct it before September, 2018 by Submitting online Debit note.</p>
3	<p><b>Any mistake if rectified before 30.09.2018</b> that will attract only 18% Interest . You can take ITC also. Any mistake if made after 30.09.2018 will attract 24% interest. No ITC Available.</p>
4	<p><b>Supplier Payment not made with 180 days</b> : If payment to supplier is not made within 180 days from the date of bill, then ITC availed on it should be reversed in the monthly return when the 180 days expires (for July bill it is January return). With 18 % interest for 6 months. ITC can be again taken when payment to supplier is made later.</p>
5	<p><b>Stock Held with Jobworker</b> As on 30.06.2017 : As per the GST Act, stock held with jobworker as on 30.06.2017 should have been declared in TRAN-1 Form. If Not declared, the subsequent receipt of goods from the jobworker will be treated as purchase from unregistered person and GST RCM has to be paid (upto 12.10.17). Now prepared a list of Goods and machinery held with jobworker as on 30.06.2017 (Details of jobworker and details of goods), with a covering letter submit to the Jurisdictional Assessing Officer (CTO) (by post). Goods held with jobworker as on 30.06.2017 should be received within 1 year from 01.07.17. Machinery held with jobworker as on 30.06.2017 should be received within 2 years from 01.07.2017. If received lately, that will be treated as purchase.</p>
6	<p><b>Quarterly Return for Job work</b> details is Compulsorily required to be filed : The Form is ITC-04. If this form is not filed, then the goods sent will be treated as 'supply' and GST has to be paid. If the goods from 01.07.17 is not received within 6 months, then that will be treated as 'deemed supply' and GST has to be paid. Similarly for Machinery sent. The time limit is 3 years.</p>
7	<p><b>Self Made Invoice</b> for Reverse Charge Expenses. Every month consolidated self made invoice is required to prepared in the format for Reverse Charge Paid Expenses. Penalty leviable.</p>
8	<p><b>RCM on Import CIF.</b> Vide Notification No.10/2017(IGST) 5% RCM is payable on Ocean Freight Paid on CIF purchase, for Import. 10% of CIF value is value of Ocean Freight. If we pay voluntarily before 30.09.18, then ITC available. If taxed later, No ITC. Interest 18%. Airfreight exempt.</p>
9	<p><b>Bank Charges</b> : ITC on bank charges is available Only with Credit available Online and Bill Issued by Banker. If no bill issued by Banker then ITC cannot be taken. Get monthly bill from bank. Inform your GSTIN to bank through a letter. Confirm online credit and monthly bill.</p>
10	<p><b>Tax Paid vs. Return Filed.</b> Even If you paid the Tax. But if you have not filed the return. Then you will be required to paid 18% interest on the full tax till date of filing return.</p>
11	<p><b>ITC on Passenger Vehicle and Building Maintenance expenses</b> : Since, ITC is not available on purchase of passenger vehicle and Building construction. (Should be reversed after 30.09.18 with 24% interest). ITC on repairs and maintenance of passenger vehicle and building maintenance is also doubtful. You can claim at your own risk.</p>
12	<p><b>Reverse ITC on Stock lost/ destroyed.</b> When ever stock is lost, destroyed (fire accident), ITC availed on the purchase has to be reversed to that extent. Insure stock Cost + Tax value so that insurance can be claimed for full value .</p>
13	<p><b>Canteen and Other recoveries from employees</b> Taxable. 01.07.17 to 17.02.18 12% GST with ITC. From 18.02.2018 5% GST without ITC. For other recoveries 18% GST. For free services without any recovery annual Rs. 5000 is exempted per employee. No ITC available.</p>
14	<p><b>From 01.10.18 Online Online Credit Only.</b> System will not allow us to feed the ITC based on invoice</p>

	in hand. So from now ensure that your suppliers properly pay GST and file return. Reconcile and Rectify every month. From doubtful suppliers, keep pending the GST value until online credit is available. GSTR-2A available.
15	In the Income Tax Return we estimate some personal expenses in General Expenses, Telephone Expenses, Travelling Expenses. In the monthly return, on the ITC availed on these expenses 5% has to be reversed for personal expenses.
16	<b>Turnover for the Purpose for Registration</b> : Taxable Supplies, exempted supplies, export of goods and services. For Example an Individual is having Rs. 3,00,000 commission receipts (taxable), Rs. 5,00,000 commercial rent (taxable), Rs. 5,00,000 residential rent (exempt), Rs. 5,00,000 agricultural income (exempt) and Rs. 5,00,000. In total Rs. 23,00,000. They we have to register and pay tax on the taxable supplies.
17	<b>Registered Persons having turnover below Rs . 20 lacs</b> : If a person is already having registration under VAT and migrated to GST. But his aggregate turnover is below Rs.20 lacs. He has to pay tax on the taxable suppliers even if turnover is below Rs. 20 lacs. Every person having GST number is required to pay GST on taxable sales.
18	<b>Registered Persons having turnover below Rs . 20 lacs but to pay RCM:</b> (RCM on goods and services from unregistered persons (URP) from 01.07.17 to 12.10.17). Even if your total turnover is exempt. Even your aggregate turnover is below Rs. 20 lacs, but if you are having a GST Registration, then you have to pay Reverse Charge GST on taxable goods and services from URP.
19	<b>Compensation from customers</b> : Interest, penal charges, packing charges, transport charges, Reimbursement of Freight from customers in the course of sale of goods are taxable under GST.
20	<b>Liquidated Damages</b> : Liquidated damage charges received from contractors, suppliers is a taxable service under GST. If we deduct any thing from the payment made to contractor/ supplier, then we have to raise a tax invoice @ 18%.
21	<b>Transactions among Related parties</b> : (Group Concerns, firm to partners, business to relatives) Then these transactions may require valuation for deciding market value. One such risk is that, if a building is owned by one of your firm and the same building is the office for other firms, then your first firm will be required to pay GST on estimated rent. Common goods vehicles, Common work force, Machinery sale to group concern will required market value and notional value for tax.
22	<b>Sales Return and Purchase Return</b> : Under GST sale return and purchase return (under VAT period and under GST period) has special procedure to be followed. GST Reversal, Debit Note, Credit Note. Any omissions either by you or by your supplier should be corrected in return before 30/09.
23	<b>Tax on sale of Used Motor Vehicles</b> : Three types of taxes during the year. For vehicles during 01.07.18 to 12.10.2017, at full GST applicable on new vehicle (Example 43% depending on vehicle). For sale from 13.10.17 to 24.01.18, 65% of 43%. For Sales from 25.01.18, 18% on the excess sale value over Income Tax WDV. If the sale value is not above IT WDV, then no GST payable.
24	<b>Assets sold within 5 years from the date of purchase</b> : Any asset purchased on which GST input was taken, if sold within 5 years from the date of purchase, the GST should be reversed/ paid will be higher of tax on the actual sale value or 1/20 th of ITC taken on purchase, for each remaining period in the 5 years. Eg. If an asset was purchase for Rs. 100000. GST ITC taken Rs. 18000. If Sold after completion of 2 years. The remaining period in 5 years is 3 years (12 quarters). If sold for Rs. 30000. The GST reverse/payable on sale will be Maximum of, 18% on 30000 = Rs. 5400 or 18000/20*12 = 10800. Here Rs. 10,800 is the GST Payable.
25	<b>Exporters Refund</b> : Exporters may have purchases in some months but exports in other months only. They have an option to submit quarterly combined application. Club your purchases and exports in a period of continuous 3 months (quarterly), and submit refund application quarterly.
26	<b>GST On advances paid to URP</b> : During the period 01.07.17 to 12.10.17 Reverse Charge is there. GST is applicable on Advances received also. Similarly, for advance paid to Unregistered Persons also RCM is payable. Building construction advance, carpenter advance, section advance, Contractor advance. Depending on the nature of work ITC is available or not.
27	<b>GST Is payable on Advances Received</b> : As per the GST Act, GST is payable on the advances received. Advance Receipt in GST format has to be raised. The tax has to be adjusted in the monthly return when final invoice is raised.
28	<b>Single Invoice, But multiple deliveries</b> : A good or fixed asset may be purchased in a single invoice. But taken delivery in multiple delivery. GST invoice should be raised on the first despatch but ITC

	can be taken only after receipt of the final despatch (when first delivery in one month and final delivery is in another month, then problem arises).
29	<p><b>Place of Supply</b> : Place of supply is another important aspect for deciding whether to charge IGST or CGST and SGST. When you <b>sell to a registered person</b> having GSTIN of <b>another state</b>, you have to Charge IGST even if you have delivery the goods to him within TN or delivered the goods to his factory or jobworker in TN. Similarly for sale to <b>Unregistered person</b> also if you sell goods quoting his address in <b>another state</b> in your bill, you have to charge IGST even if you have delivery the goods to him on hand on within TN.</p> <p>Wrong payment of tax will be considered as tax not paid and will be required to pay against.</p>

#### COMMON GST MISTAKES AND OMISSIONS IN ACCOUNTS :

	<b>RETURN MISTAKE</b>
1	Book vs GST return reconciliations
2	Non filing, Delay Filing.
	<b>WRONG ITC CLAIM</b>
3	Non reversal of ITC on wastage, lost, samples, fire accident, etc
4	Taking ITC on blocked credit and not reversing the same:
	passenger vehicle, food items, building material , life insurance.
5	Not reversing ITC on common expenses in proportionate to sales exempted,
6	Not reversing ITC when supplier payment is not made within 180 days. With interest.
7	ITC on composite dealer purchases.
	<b>PROCEDURES AND MISTAKES</b>
9	Non maintenance of quantitative register, quantity reconciliations.
10	No payment of GST on used machinery sales, assets sales, vehicle sales, etc.
11	Non submissions of debit note and credit note for subsequent rate difference, quantity diff.
12	Non Reversal of ITC on Creditor Balance Write-Off.
13	Canteen recovery from employees, GST not paid ,
14	No GST number in purchase bills.
15	Actually selling one taxable goods but declaring under exempted goods. Eg. Registered Brand, Packed Goods, Processed Goods, Cattle Feed,
16	Non payment of GST on industrial estimated buy products, waste production.
17	Regular to composition Change : stock declarations and payment of GST on the Stock.
18	Special issues of composition dealers transfer from regular to composition vice versa.
19	Non submissions of quarterly form ITC-04 form for jobwork movement details.
20	Non Declaration of Stock and machinery with Job workers as on 30.06.2017.
	<b>REVERSE CHARGE MECHANISAM</b>
21	Not paying RCM on many 9(4)items. Building labour, Vehicle Maintenance, Rent, (URP)
22	Not paying RCM on 9(3) items advocate, govt services, freight.
23	Selling 100% exempted goods but not paying RCM U/s. 9(4), 9(3),
24	Not Taking ITC on RCM Paid.
25	Not Reversing ITC on RCM Paid on Blocked Credits (building material, labour, etc)
	<b>TAX OMMISIONS</b>
26	Non disclosure of discounts , purchase returns in return.
27	No receipt of goods and assets sent on jobwork and returned within specified time 1 or 3 yrs..
28	In house jobworker have crossing 20lakhs and not having GST registration number.
29	Supplier/Service provider issues only bill but not paying GST and not submitting Returns.
30	Initially exempted items but subsequently taxed items but GST not paid. Eg. Cattle Feed.
31	Not Paying Tax on Canteen and Other Recoveries from employees.

## **CHECK LIST FOR GST RETURN PREPARATION (GSTR-1 and GSTR-3B) :**

### **FROM MAY 2018 DUE DATE FOR FILING GST RETURNS :**

1. MONTHLY GSTR-1 (SALES INVOICE DEATILS) SHOULD BE FILED BEFORE 10 OF NEXT MONTH  
Eg. For May, 2018 month, GSTR-1 should be filed before 10.06.2018.
2. MONTHLY GSTR-3B (Consolidated Payment Return) SHOULD BE FILED BEFORE 20 TH.  
Eg. For May, 2018 month, GSTR-3B should be filed before 20.06.2018.

### **SALES :**

1. Check Continuation of Sales Bill serial number from previous month. To check whether any additional bill is made last month after filing the GSTR1/3B of last month.
2. Check continuous serial number of sales bills this month. Any omissions in between. Cancellations, omissions in books has to be noted and handled accordingly.
3. Documents issued. Documents Cancelled.
4. Check correct rate of tax is applied. Based on customer GSTN whether correct tax IGST (for other state GSTN) /CGST & SGST is charged.
5. Break up for registered and unregistered customers.
6. HSN Code of the product.
7. Quantity of the goods sold.
8. Any Exempted Sales. Verify whether it is actually exempted.
9. Whether Sales Tallied with P&L.

### **OTHER INCOMES :**

1. Other Taxable incomes in P&L.
2. Other Taxable Incomes in Capital A/c and Memo of Income.
3. Vehicle Sales, Machinery Sales.

### **Compulsory RCM :**

1. Lorry Freight, Advocate Fees, Etc.
2. If lorry transport is from other state, then Pay IGST RCM.

### **PURCHASE :**

1. Correct GSTN and address in the purchase bill.
2. GSTN of the Seller.
3. Whether Purchases tallied with P&L.
4. Other Purchases and Expenses in the Profit and Loss Account.
5. Whether ITC is taken on all purchases and expenses.
6. ITC on Machinery and Vehicle Purchases in Balance Sheet.
7. Whether ITC Taken on RCM paid.

### **REVERSAL OF BLOCKED CREDIT :**

1. ITC on Purchased used for exempted sales.
2. ITC on Building Material, labour, Passenger Vehicle.
3. ITC on Life Insurance, Food expenses,
4. Proportionate Reversal ITC on of Common expenses on Exempted Sales.

### **REVERSAL OF ITC ON PAYMENTS NOT MADE TO SUPPLIER WITHIN 180 DAYS :**

1. In the suppliers ledger, Every Month check whether are unpaid Purchase more than 180 days.
2. If yes then reverse the ITC Tax (IGST, CGST and SGST correctly)
3. Calculate interest at 18% and

### **PAYMENT :**

1. IGST, CGST, SGST, RCM (against IGST, CGST, SGST), Interest on late payment, late filing,
2. Interest on reversal of ITC on non payment to supplier.