INVOICE MANAGEMENT SYSTEM AND FINALISATION OF ACCOUNTS FROM GST PERSPECTIVE

CA RAM ASWIN J

MADURAI

INVOICE MANAGEMENT SYSTEM:

When GST was introduced, following returns were notified:

- GSTR 1 – return for declaring outward supplies and tax thereof
- GSTR 1A- return for revising the details reported in GSTR 1
- GSTR 2 – self declaration of inward supplies on which ITC is availed.
- GSTR 2A – Auto populated based the details furnished by supplier
- GSTR 2B– facility for accepting the data generated in GSTR 2A (GSTR2 will be filed based on this)
- GSTR 3 – form for availment of ITC from GSTR 2 and payment of net outward tax liability.

IMS – Background:

In 2017, both GSTR 2 and GSTR 3 were suspended.

Following returns were notified:

- GSTR 1
- GSTR 3B
- GSTR 2A (in September 2018)
- GSTR 2B (in august 2020)
- GSTR 1A (in august 2024)

IMS – Background:

- **As of the return filing process is as follows:**
  - GSTR 1 on before 11th of subsequent month
  - GSTR 2B auto populated on 14th of subsequent month (in the evening)
  - Reconciliation of Inward supplies (books vs GSTR 2B)
  - Determination of net outward tax liability including RCM liability.
  - GSTR-3B return for payment of tax determined

IMS – Background→ issues with respect to ITC:

In order to avail ITC, conditions as per sec 16 of CGST act 2017 has to satisfied.

One of such condition is that, details of ITC have to be available in the FORM GSTR 2B.

Technically there shouldn't be any difference between ITC availed in GSTR3B and ITC as per GSTR 2B. (Apart of blocked credit as per 17(5) and non satisfaction of conditions as per sec 16)

IMS – Background→ Issues with respect to ITC:

- Earlier ITC was allowed to availed provisionally in 2018
- Subsequently it was restricted to 20% (from 09.10.2019 to 31.12.2019)
- Subsequently it was restricted to 10% (from 01.01.2020 to 31.12.2020)
- Subsequently it was restricted to 5% (from 01.01.2021 to 31.12.2021)
- From 01.01.2022, ITC has to availed based on GSTR2B (it cannot be more than the amount reported in GSTR2B)

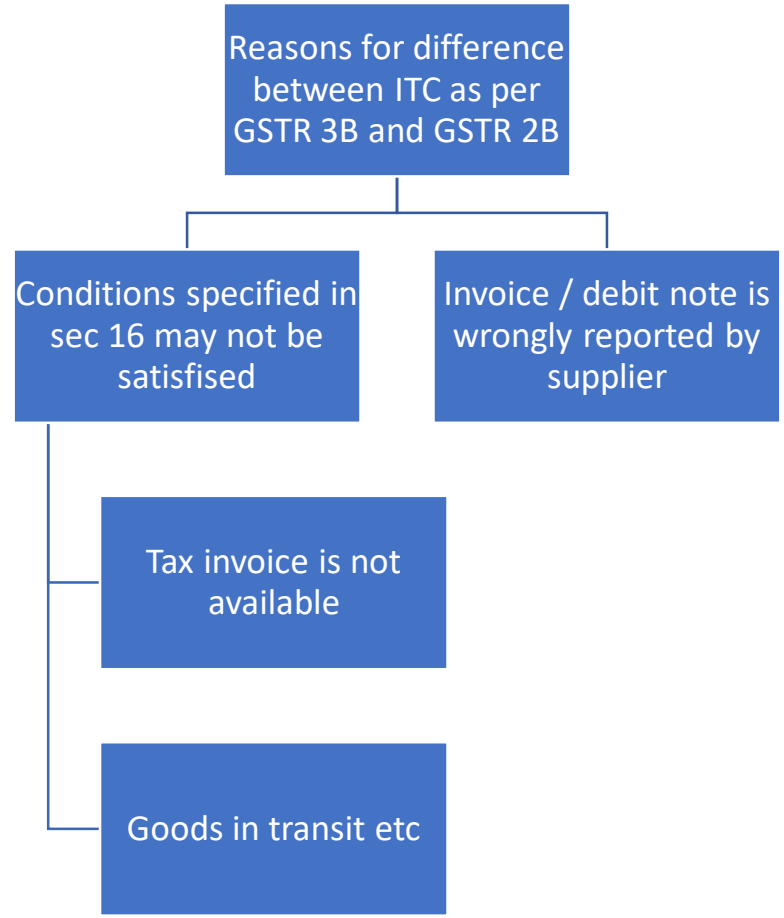
IMS – Background→ issues with respect to ITC:

NOTICE IN FORM DRC 01C (From August 2023)

- If there is difference between ITC as per FORM GSTR3B and GSTR 2B.
  - And if the difference exceeds 20% of ITC auto populated in GSTR 2B ***AND*** Rs.25 Lakhs
    - NOTICE FROM DRC 1C will be sent to the taxpayer seeking clarification for the difference
    - Taxpayer has to provide appropriate reply for the same within the said period (7days normally)
    - PO has to verify the reply and if he's satisfied, proceedings will be dropped. else Difference amount has to be paid.
    - subsequent months returns cannot be filed without complying with the above proceedings.

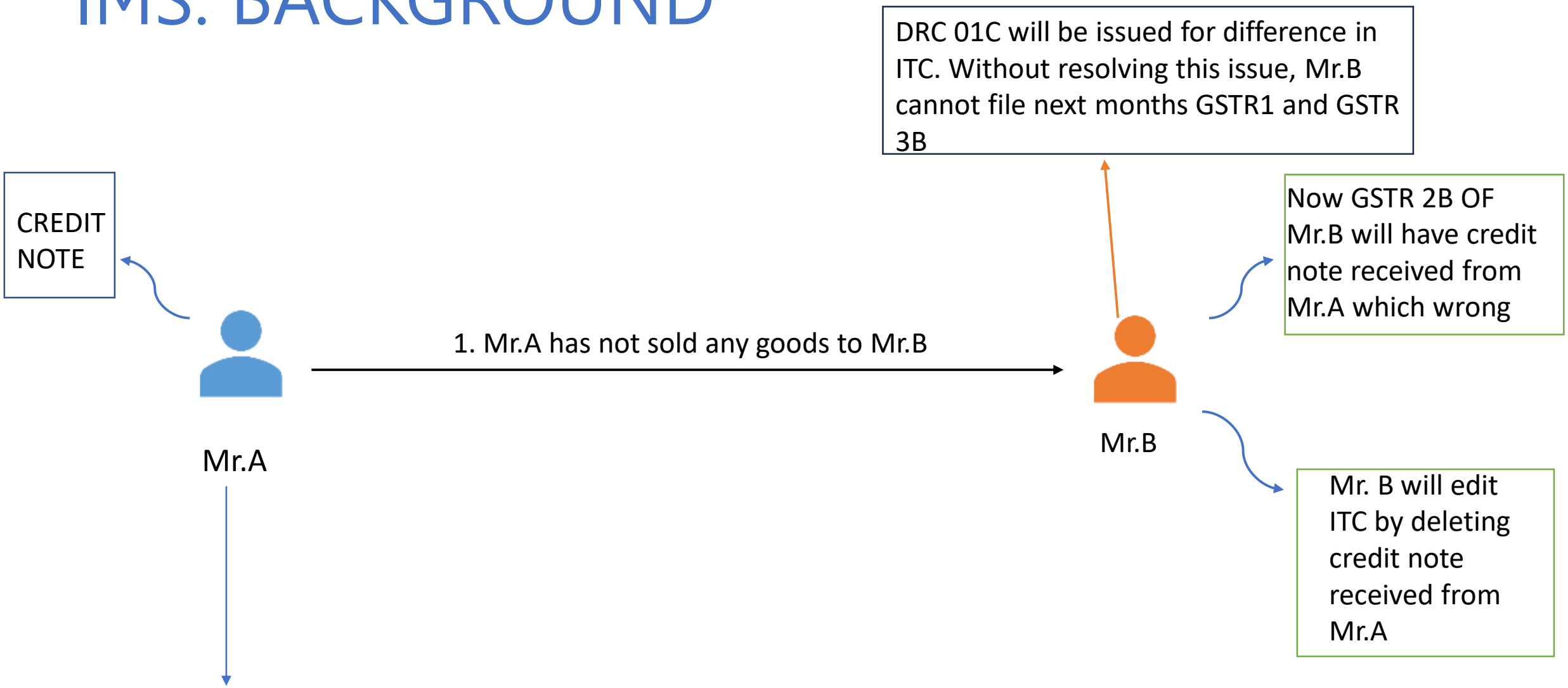
IMS – Background→ issues with respect to ITC:

If proper reply is given along with the supporting documents, PO may drop the proceedings.



In case of wrong reporting by supplier, PO may not be convinced with the reply. it will be difficult to prove the same. Unless it is resolved, subsequent months return cannot be filed.

IMS: BACKGROUND



However Mr.A has filed Credit note against Mr.B wrongly for Rs.30,00,000/- (TAX Amount)

IMS – Background:

A system for the tax payer to fix the correct amount of input tax credit that they entitle.

Tax payer can accept or reject the invoices, CN, DN auto populated based on the info submitted by supplier.

Where there is doubt regarding certain invoices, there is an option to keep the invoices pending for future actions.

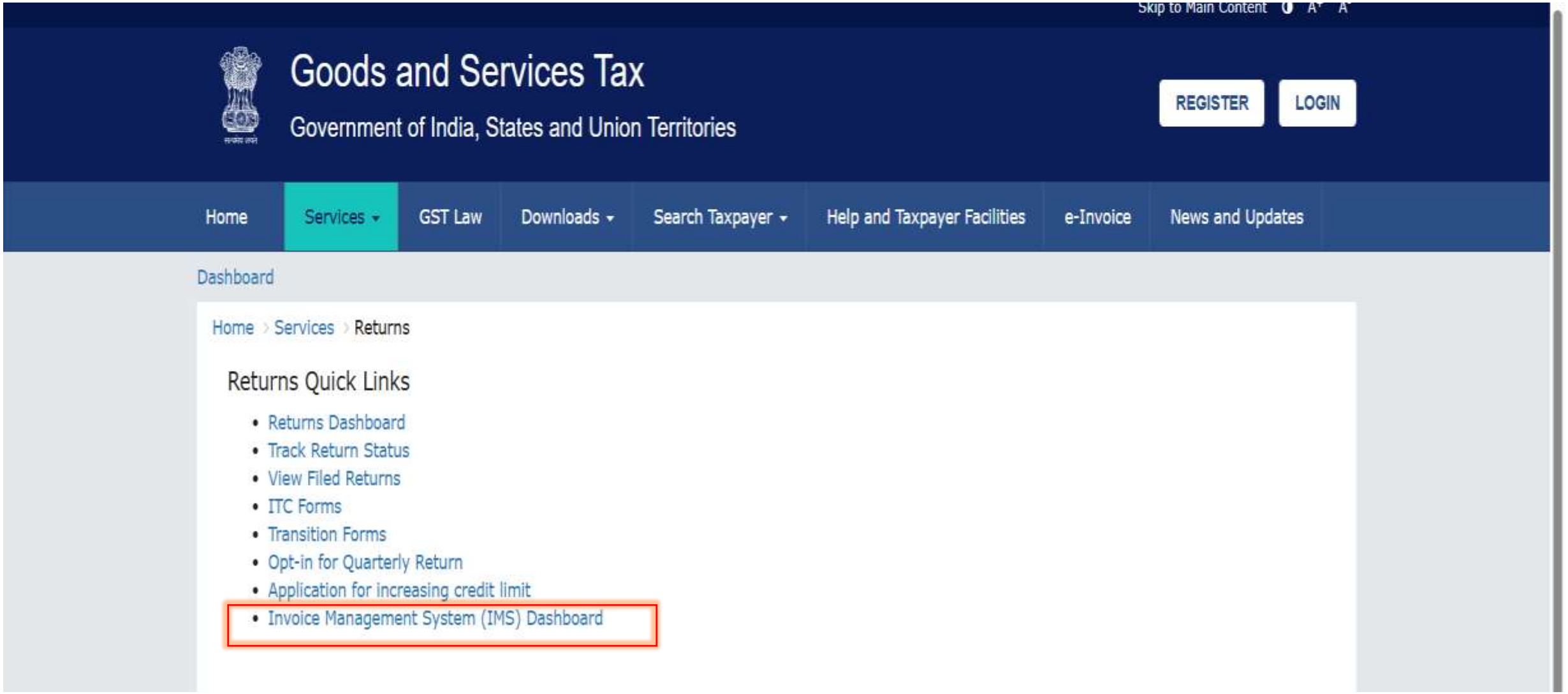
However, DN and CN has to be accepted or rejected, only then revised 2B can be generated.

IMS: Important points:

Invoices / CN/ DN can be rejected only when the invoice is not pertaining to the tax payer.

This is not the place for eliminating ineligible ITC.

Reversal of ineligible ITC has to be done in FORM GSTR3B TABLE 4B1 OR 4B2


Skip to Main Content
Goods and Services Tax
Government of India, States and Union Territories
REGISTER
LOGIN
Home
Services
GST Law
Downloads
Search Taxpayer
Help and Taxpayer Facilities
e-Invoice
News and Updates
Dashboard
Home › Services › Returns
Returns Quick Links
Returns Dashboard
Track Return Status
View Filed Returns
ITC Forms
Transition Forms
Opt-in for Quarterly Return
Application for increasing credit limit
Invoice Management System (IMS) Dashboard

All other ITC | Inward Supplies from ISD | Import of Goods

All other ITC - Total 1 Records

S.No.	Heading	Number of Records			
		No Action	Accepted	Rejected	Pending
I	B2B - Invoices	1	0	0	0
II	B2B - Invoices (Amendments)	0	0	0	0
III	B2B - Debit Notes	0	0	0	0
IV	B2B - Debit Notes (Amendments)	0	0	0	0
V	B2B - Credit Notes	0	0	0	0
VI	B2B - Credit Notes (Amendments)	0	0	0	0
VII	Eco [9(5)] Invoices	0	0	0	0
VIII	Eco [9(5)] Invoices (Amendments)	0	0	0	0

BACK TO DASHBOARD | DOWNLOAD IMS DETAILS (EXCEL) | COMPUTE GSTR-2B (MAR 2025)

Top

All other ITC | Inward Supplies from ISD | Import of Goods

All other ITC - Total 1 Records

S.No.	Heading	Number of Records			
		No Action	Accepted	Rejected	Pending
I	B2B - Invoices	0	1	0	0
II	B2B - Invoices (Amendments)	0	0	0	0
III	B2B - Debit Notes	0	0	0	0
IV	B2B - Debit Notes (Amendments)	0	0	0	0
V	B2B - Credit Notes	0	0	0	0
VI	B2B - Credit Notes (Amendments)	0	0	0	0
VII	Eco [9(5)] Invoices	0	0	0	0
VIII	Eco [9(5)] Invoices (Amendments)	0	0	0	0

BACK TO DASHBOARD | DOWNLOAD IMS DETAILS (EXCEL) | COMPUTE GSTR-2B (MAR 2025)

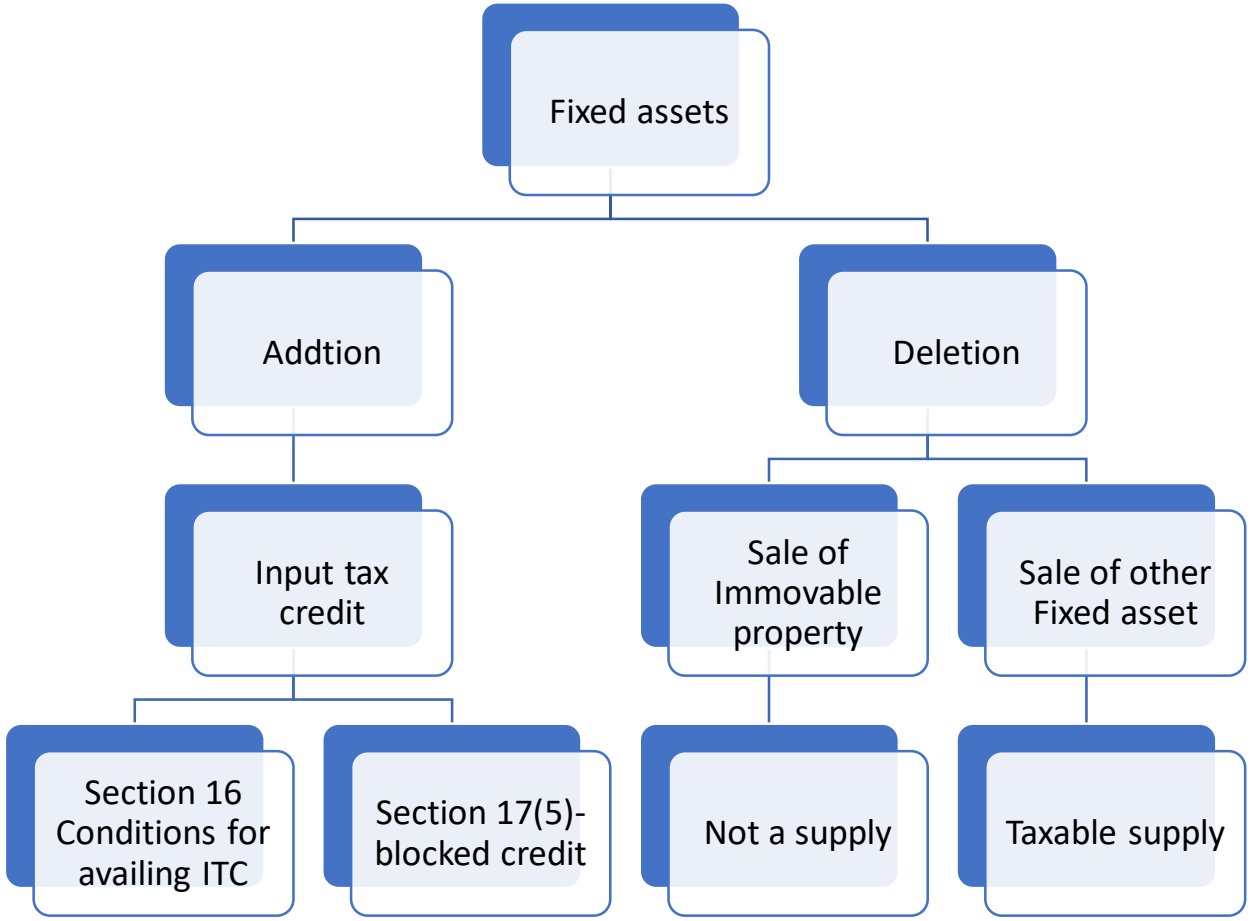
Finalization of Accounts with GST Perspective

IMPORTANCE

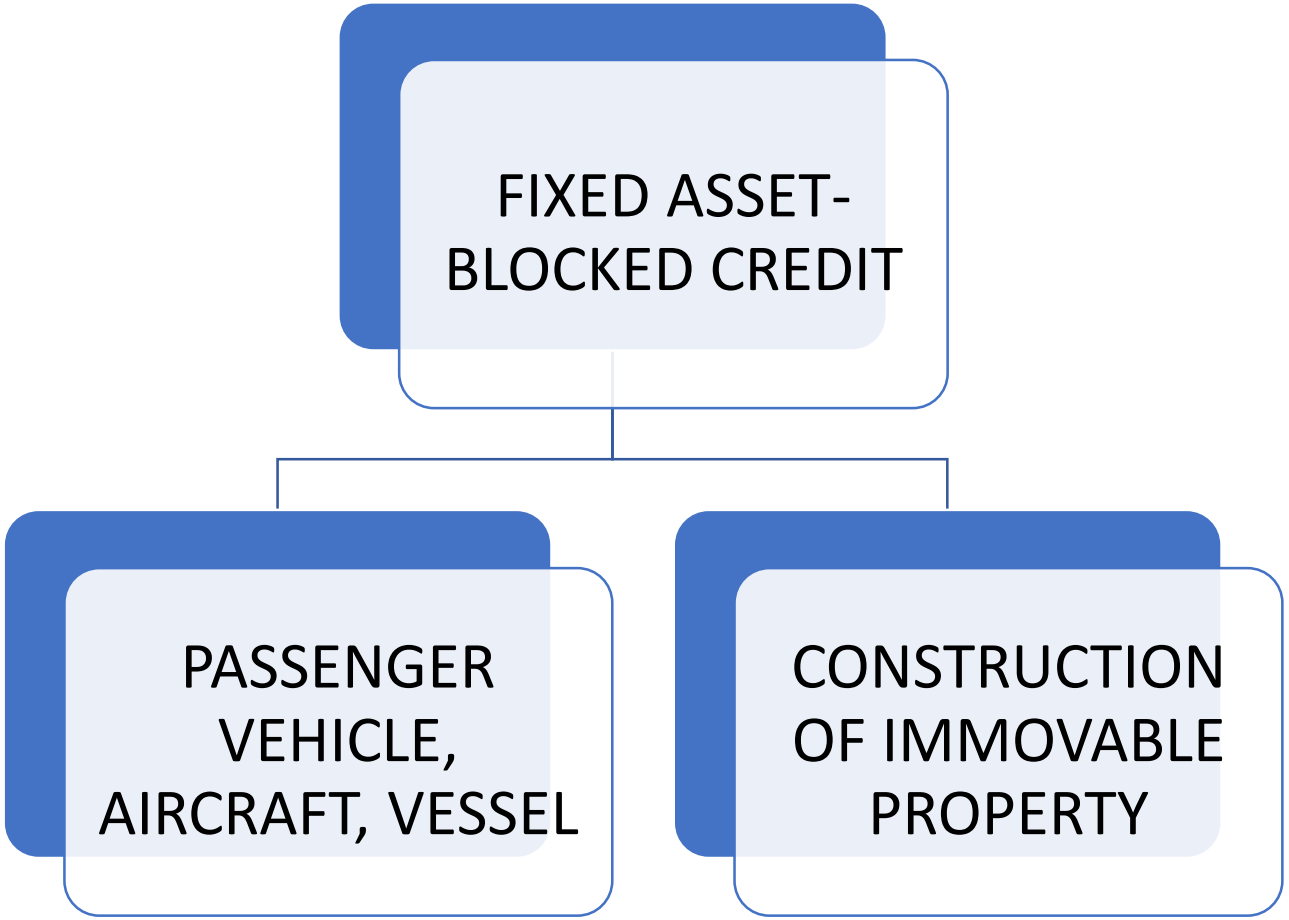
To obtain reasonable assurance that the Financial statement comply with various rules and regulation under GST.

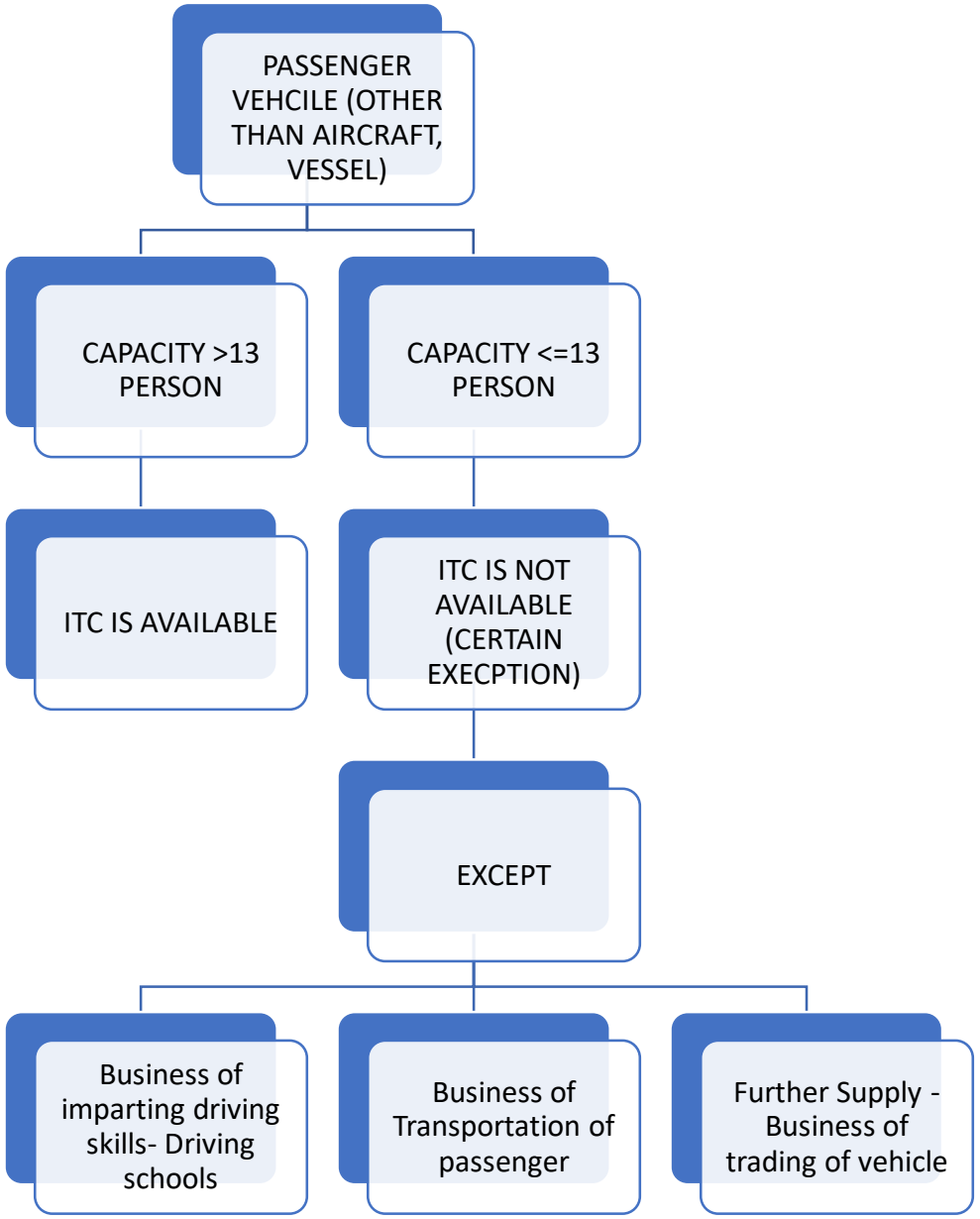
During investigation/inspection/search- Officers identifies various defects/ concerns based on the Audited Financial statements.

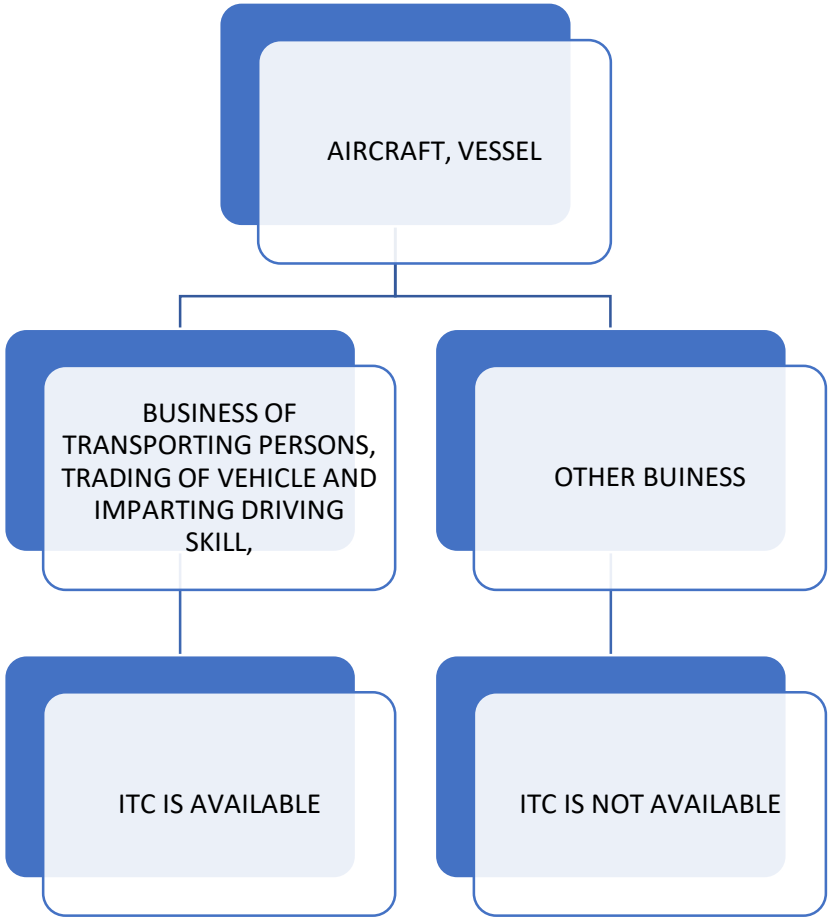
Review of Balance Sheet: Fixed Asset



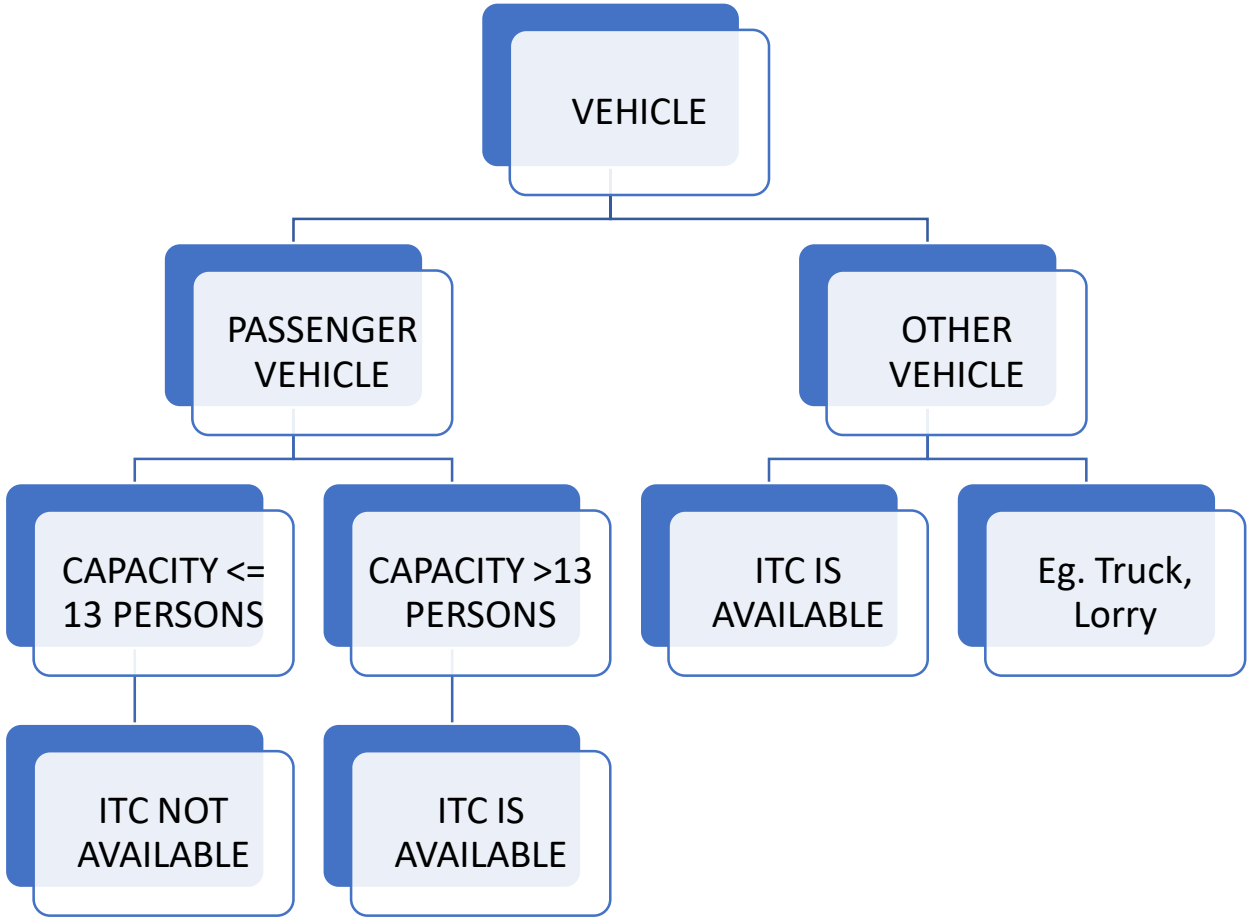
Section 17(5) of CGST Act 2017



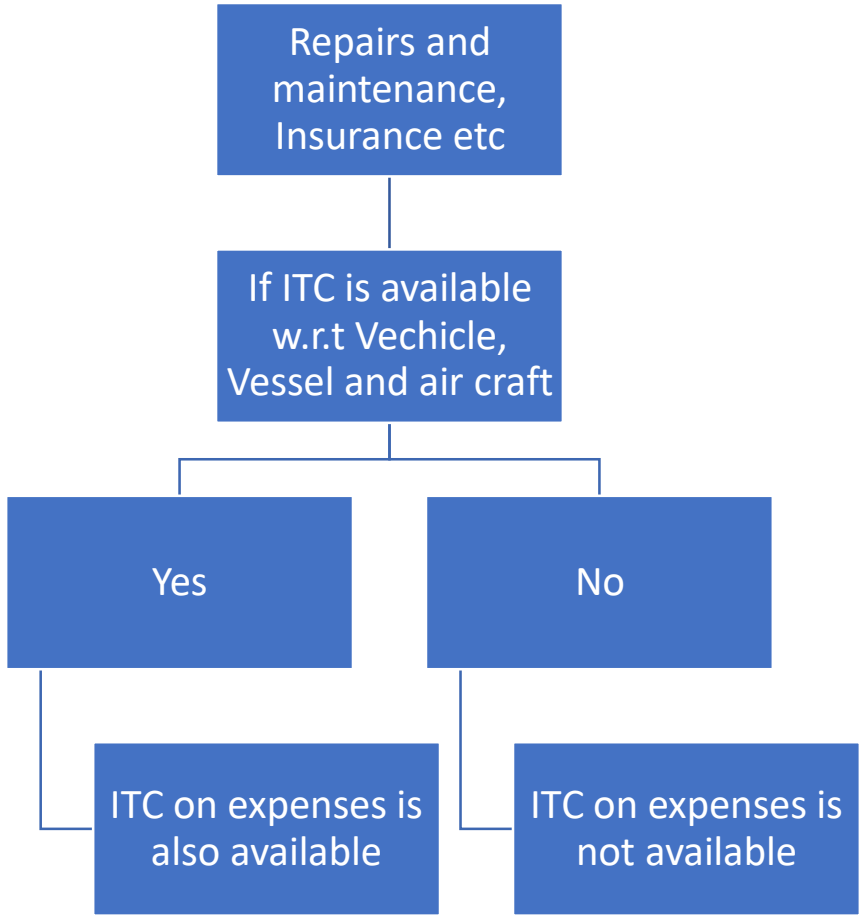

PASSENGER VEHCILE (OTHER THAN AIRCRAFT, VESSEL)
CAPACITY >13 PERSON
CAPACITY <=13 PERSON
ITC IS AVAILABLE
ITC IS NOT AVAILABLE (CERTAIN EXECPTION)
EXCEPT
Business of imparting driving skills- Driving schools
Business of Transportation of passenger
Further Supply - Business of trading of vehicle


AIRCRAFT, VESSEL
BUSINESS OF TRANSPORTING PERSONS, TRADING OF VEHICLE AND IMPARTING DRIVING SKILL,
OTHER BUINESS
ITC IS AVAILABLE
ITC IS NOT AVAILABLE

SUMMARY - ITC W.R.T VEHICLE



Revenue Expenditure w.r.t Motor Vehicle:



ITC- CONSTRUCTION OF IMMOVABLE PROPERTY

INWARD SUPPLIES RECEIVED FOR CONSTRUCTION OF IP IS NOT ELIGIBLE FOR ITC.

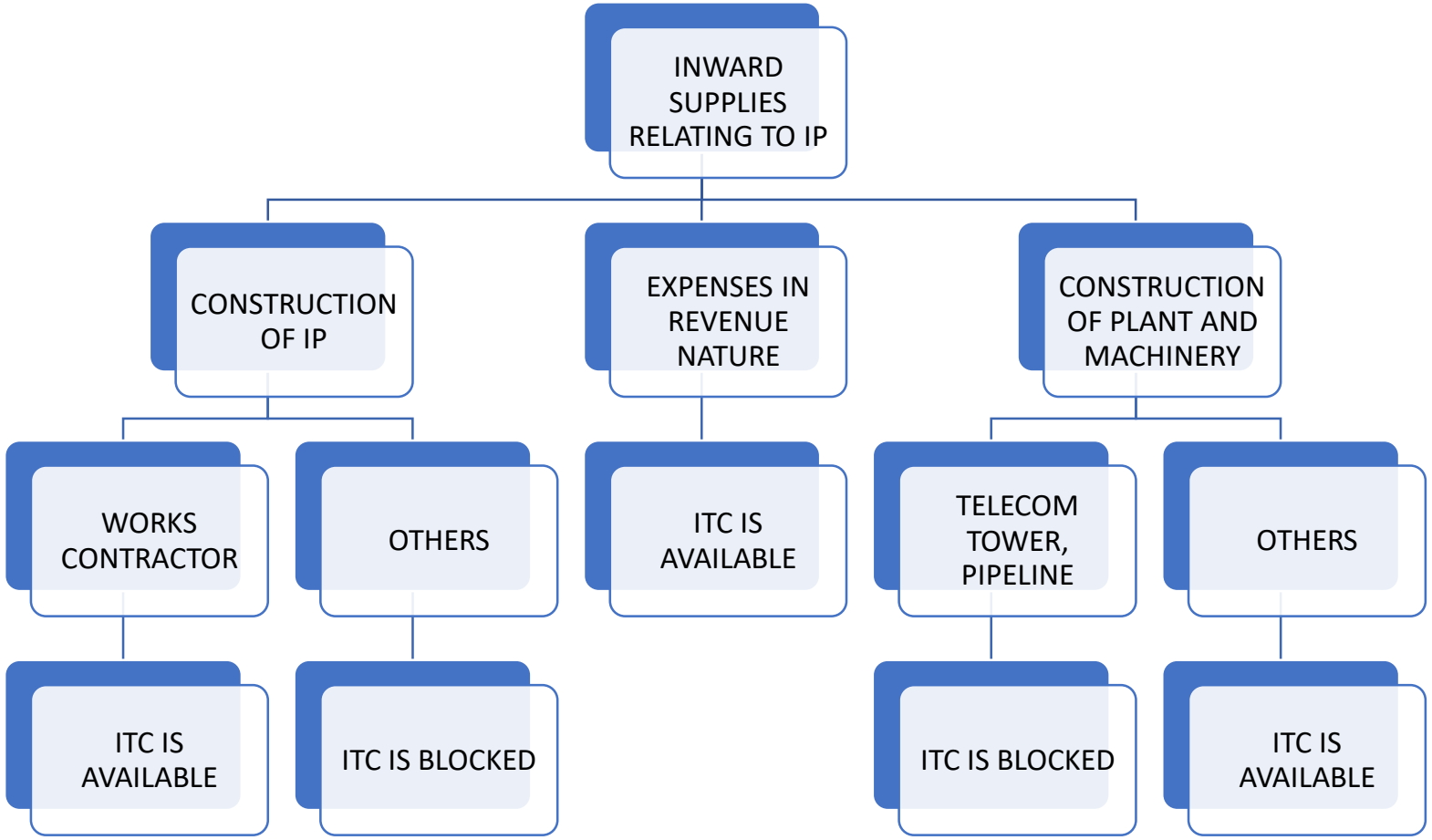
THIS IS NOT APPLICABLE TO THE SUPPLIER OF WORKS CONTRACT SERVICE.

IMMOVABLE PROPERTY EXCLUDES PLANT AND MACHINERY.

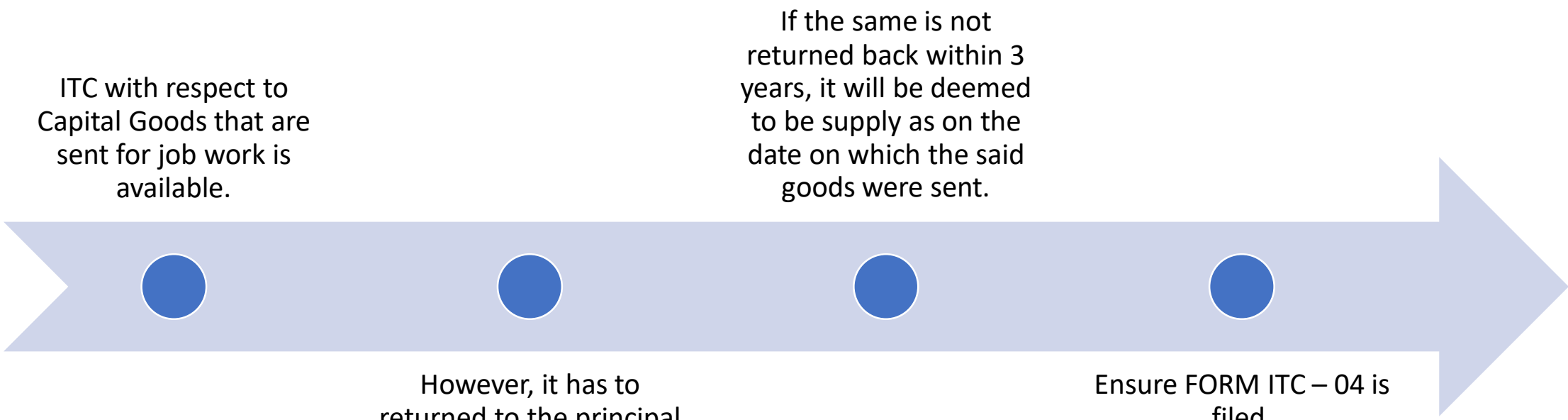
P&M EXCLUDES TELECOM TOWERS AND PIPELINES LAID OUTSIDE FACTORY.

CONSTRUCTION EXPENSES IN THE NATURE OF REVENUE IS NOT BLOCKED FOR THE PURPOSE OF ITC.

SUMMARY:


INWARD SUPPLIES RELATING TO IP
CONSTRUCTION OF IP
EXPENSES IN REVENUE NATURE
CONSTRUCTION OF PLANT AND MACHINERY
WORKS CONTRACTOR
OTHERS
ITC IS AVAILABLE
TELECOM TOWER, PIPELINE
OTHERS
ITC IS AVAILABLE
ITC IS BLOCKED
ITC IS BLOCKED
ITC IS AVAILABLE

CAPITAL GOODS SENT FOR JOB WORK



IMPORT OF SERVICE:

When Fixed assets are imported the incidental services Eg. Installation, erection, technical services etc. may be provided by the exporter or a person from outside India.

Usually such type of expenditure is capitalized as cost as per AS 10/ IND AS 16.

It is import of service and hence it is subject GST under RCM.

Ensure GST Liability on the same is discharged.

DELETION/DISPOSAL OF FIXED ASSET

Sale of fixed asset by any entity is a taxable supply.

Tax rate for the same will be determined based on HSN code.

This provision is transaction specific and not entity specific.

ANALYSIS:

Lets assume a situation where a Trust which runs a school has sold a Bus which was inoperative for Rs. 2 Lakhs. The Turnover (Fees from students) of the trust excluding the sale of bus is Rs.3.5Crores.

The trust is unregistered under GST Act. (Section 23 of CGST Act 2017)

Whether GST is payable on the sale of Bus?

ANALYSIS:

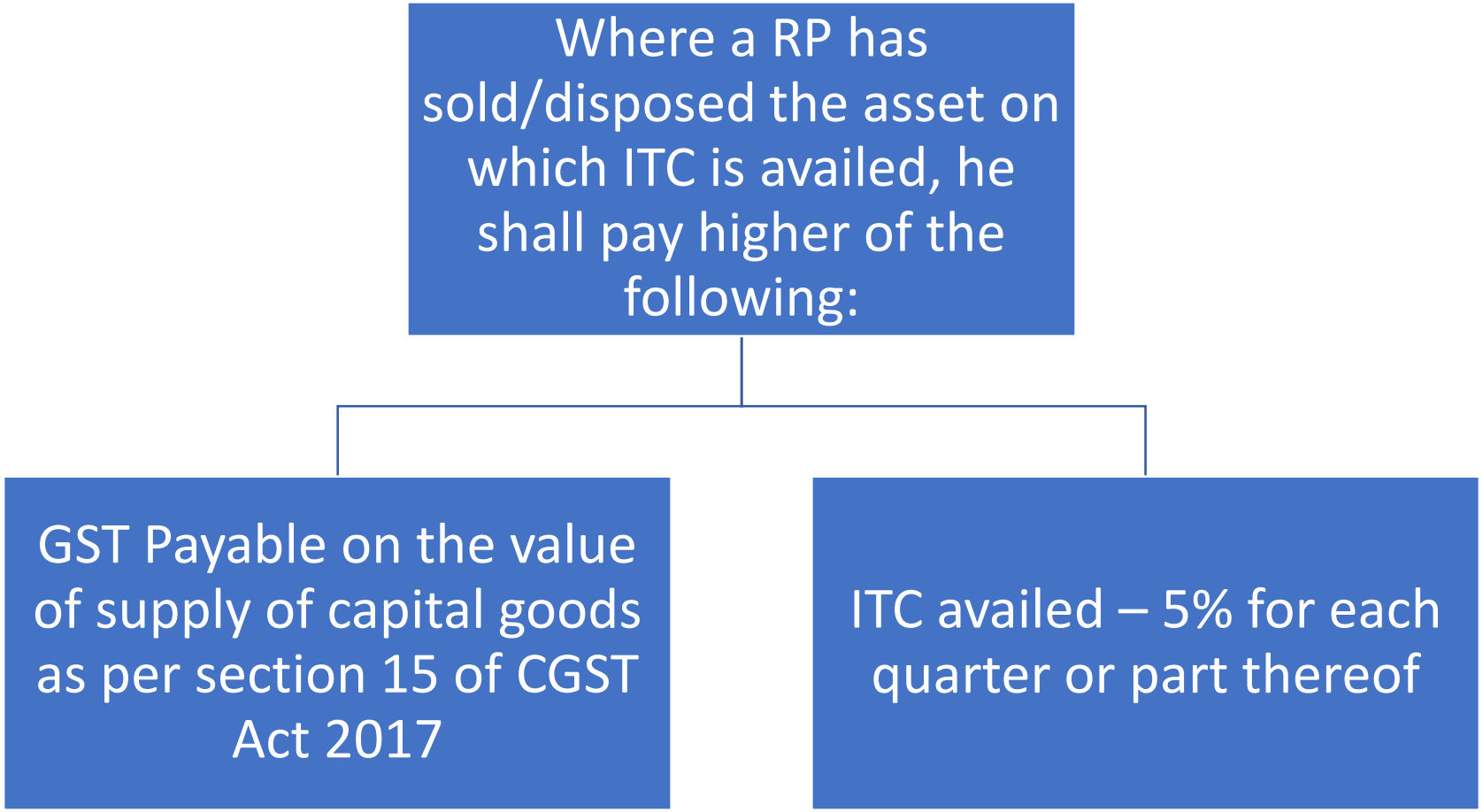
Relevant sections:

Yes, GST is payable on the sale value of Bus. Trust has to get registered under GST Act.

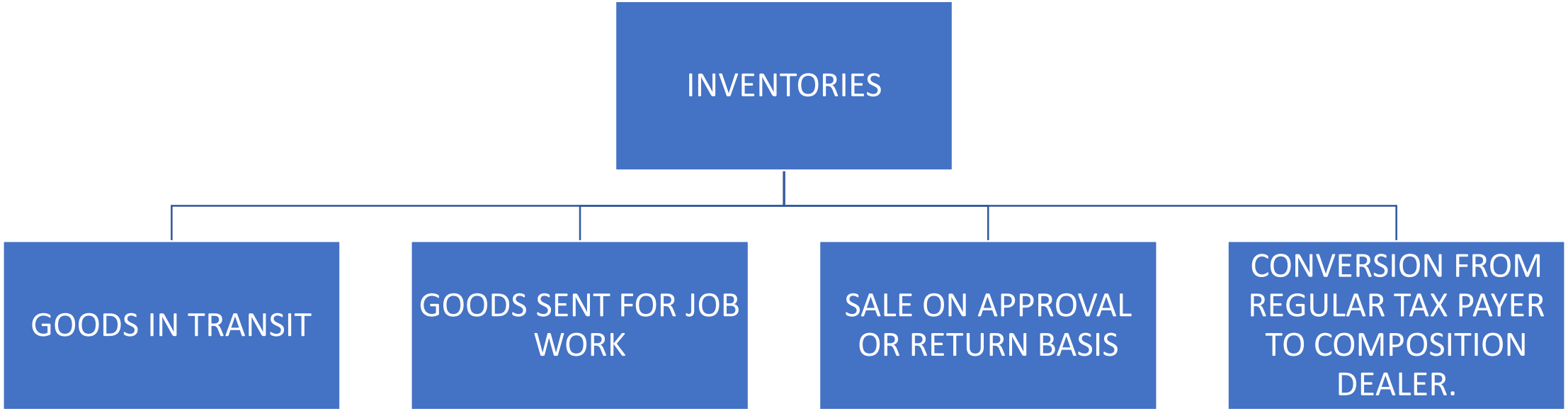
Section 23 of CGST Act 2017- Exemption from registration.

Section 2(6) of CGST Act 2017- Definition of Aggregate Turnover.

SALE/DISPOSAL OF FIXED ASSET ON WHICH ITC IS AVAILED: Sec 18(6) of CGST Act read with rule 40 of CGST rules 2017:



INVENTORIES:



GOODS IN TRANSIT

Sec 16 of CGST ACT 2017, states the preconditions for availing ITC, one of the conditions is “goods / services are actually received”.

Hence ITC has to be availed only when the goods are actually received even though the same is available in FORM GSTR 2B.

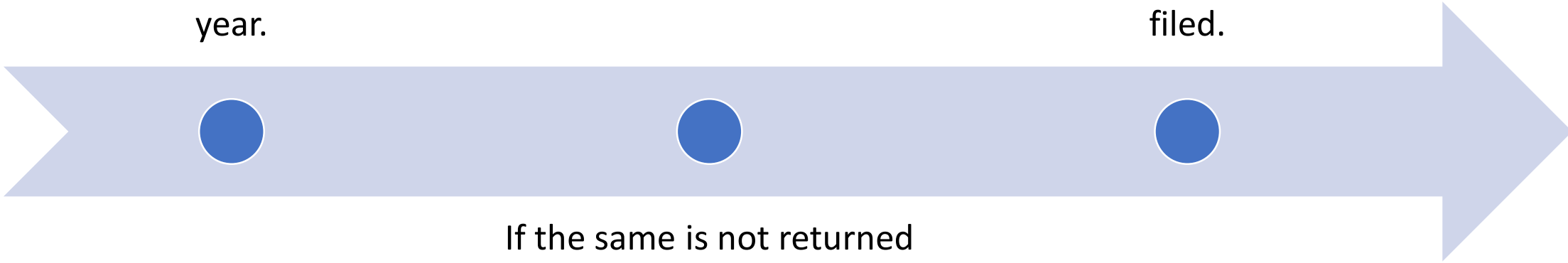
Ensure that the above conditions are complied with especially as on reporting date.

GOODS SENT FOR JOB WORK:

Where the Inputs are sent for Job work, it has to be received back within one year.

If the same is not returned back within 1 year, it will be deemed to be supply as on the date on which the said goods were sent.

Ensure FORM ITC – 04 is filed.



Goods with 3rd party- sale on approval basis

In books of accounts, the revenue will recognized only when the buyer approves the goods sent to him. Till then it will be recorded as a closing stock at cost.

However, as per Sec 31(7) of CGST act 2017, where goods are sent on sale on approval basis, invoice has to be raised – earlier of the following:

- Date of acceptance by the buyer
- 6 months from the date of removal goods from the supplier's location.

Conversion from Regular Tax payer to Composition dealer : (Sec 10 of CST Act 2017)

It is an option to smaller business entities to pay tax at concessional rate.

This conversion can be done in the beginning of the financial year.

ITC pertaining to the closing Stock as on the preceding date of the conversion has to be reversed by filing FORM GST ITC 03 .i.e. as on 31st March.

Trade Receivable- Export: (Rule 96A of CGST Rule 2017)

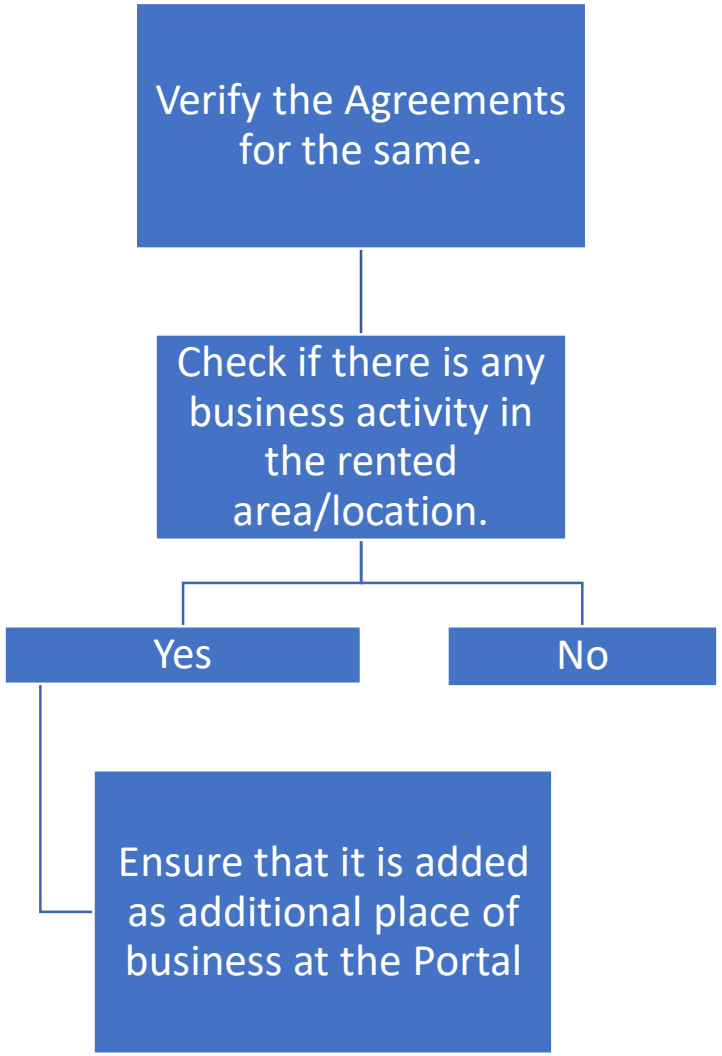
In case of export of Goods/service made under LUT/Bond in FORM GST RFD – 11, ensure

- In case of Goods - it has to exported within 3 months
- In case of service – payment has to be received within 1 year

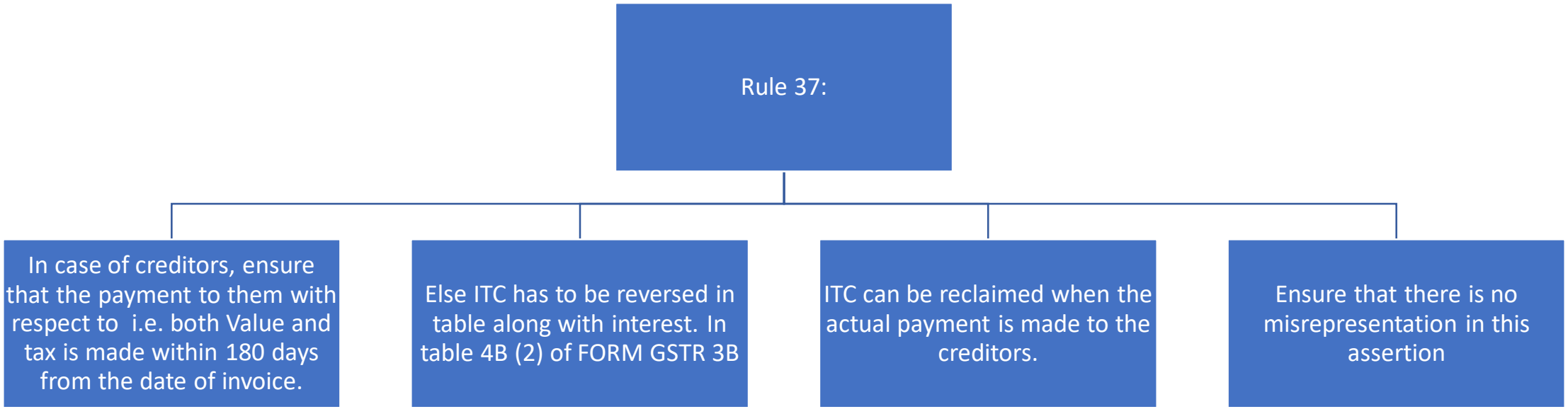
If the conditions are not satisfied, Exporter has to pay tax (IGST) on the export made along with interest within 15 days.

Where the exporter fails to the tax amount along with interest, LUT issued to him will be withdrawn.

Rent advance/ Security deposit paid:



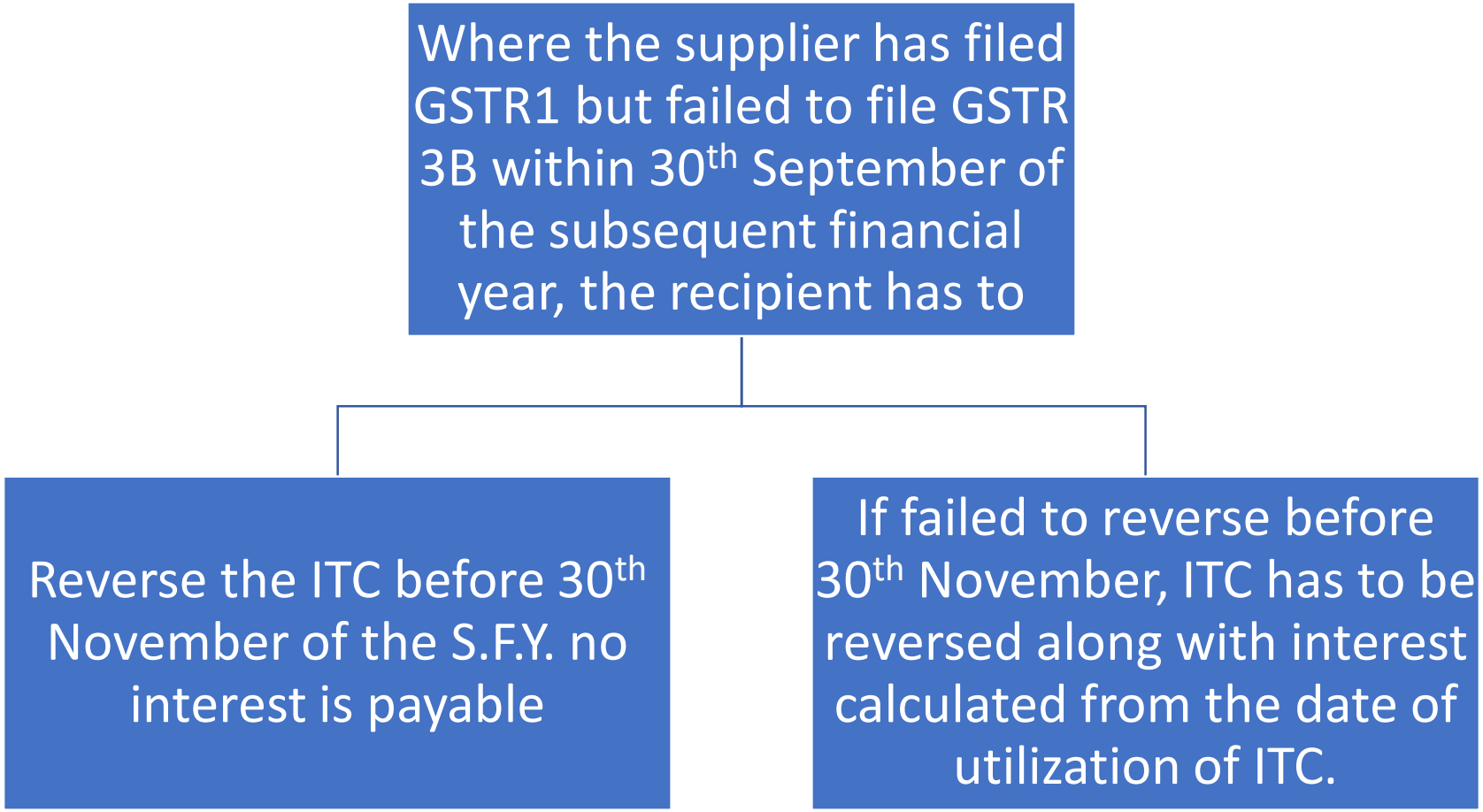
Trade payable: (Rule 37/37A of CGST rule 2017)



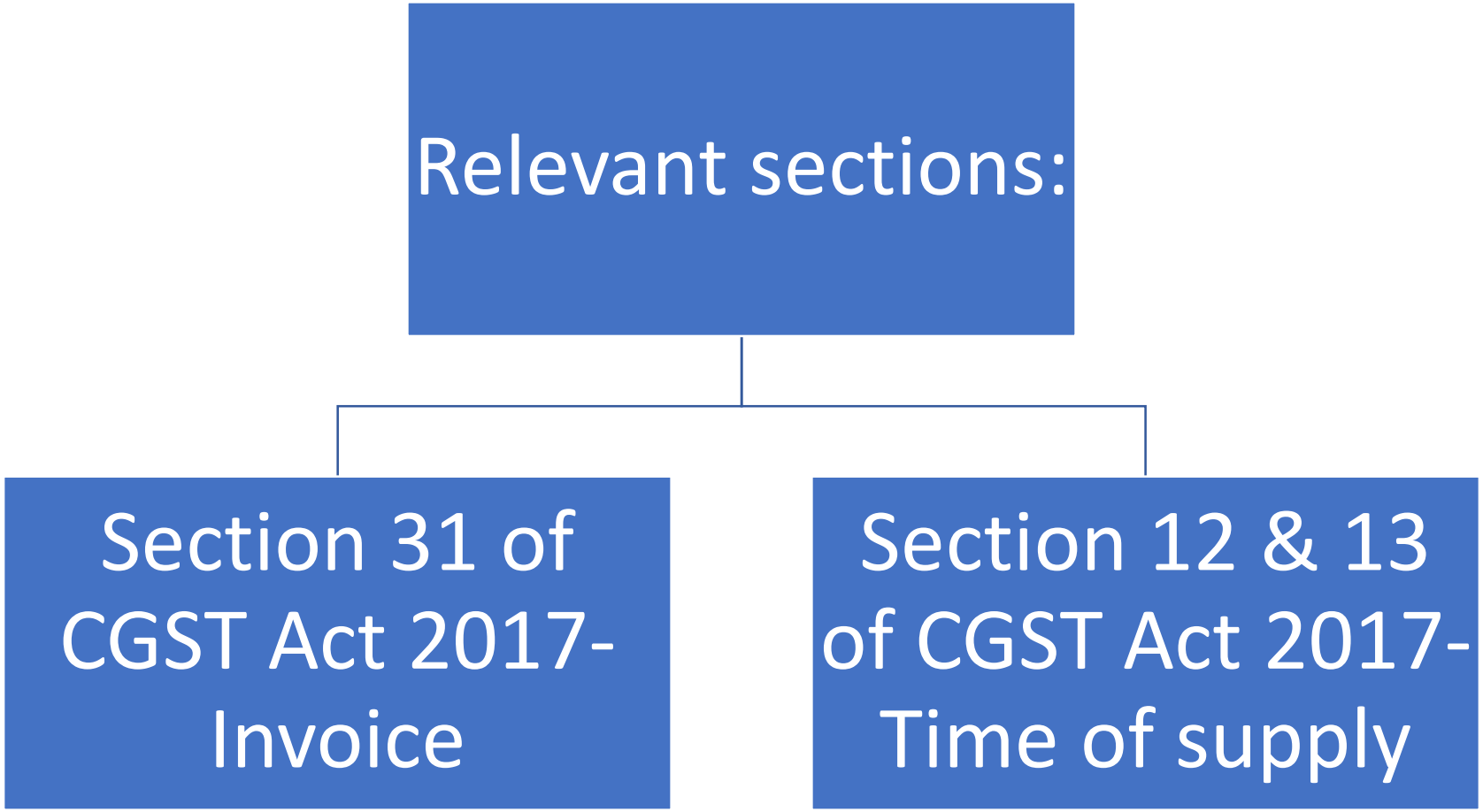
NOTE 15 - Other Income

Transportation Charges, Pumping & Mobilisation Charges	5,65,29,527	7,30,86,506
Sale of Scrap	58,941	67,559
Labour Charges	83,31,640	1,49,91,175
Lease Rent	2,00,000	-
Hire Charges	30,000	-
Interest Received	4,46,463	3,77,927
Credits No Longer Required Written Back	1,85,153	9,30,028
Discount Received	10,788	-
Profit on Sale of Assets	2,07,059	3,46,684
Profit on Sale of Investments	11,640	-
Land Surveying Service	-	70,476
Total	**6,60,11,211**	**8,98,70,354**

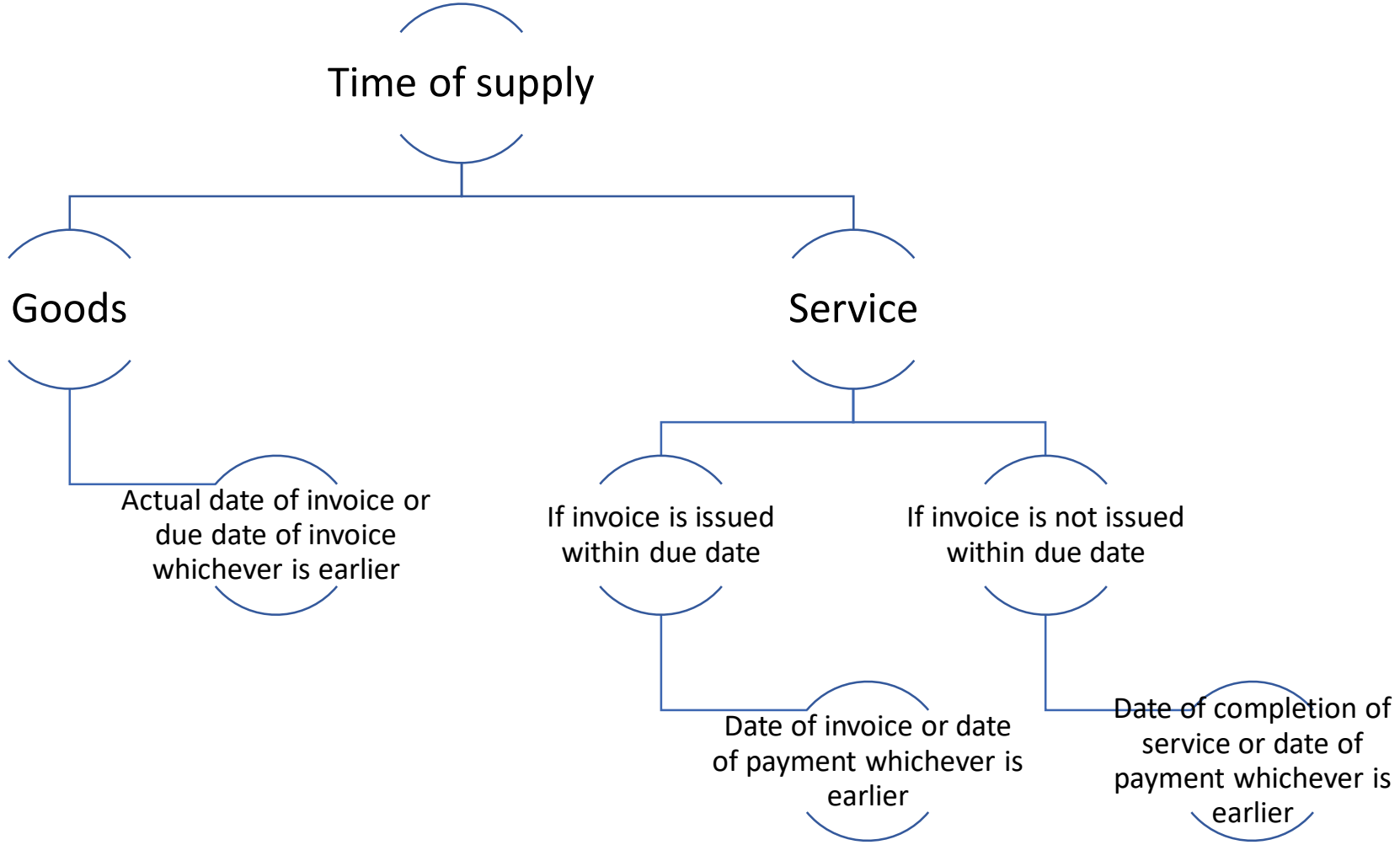
Rule 37A of CGST Rules 2017:



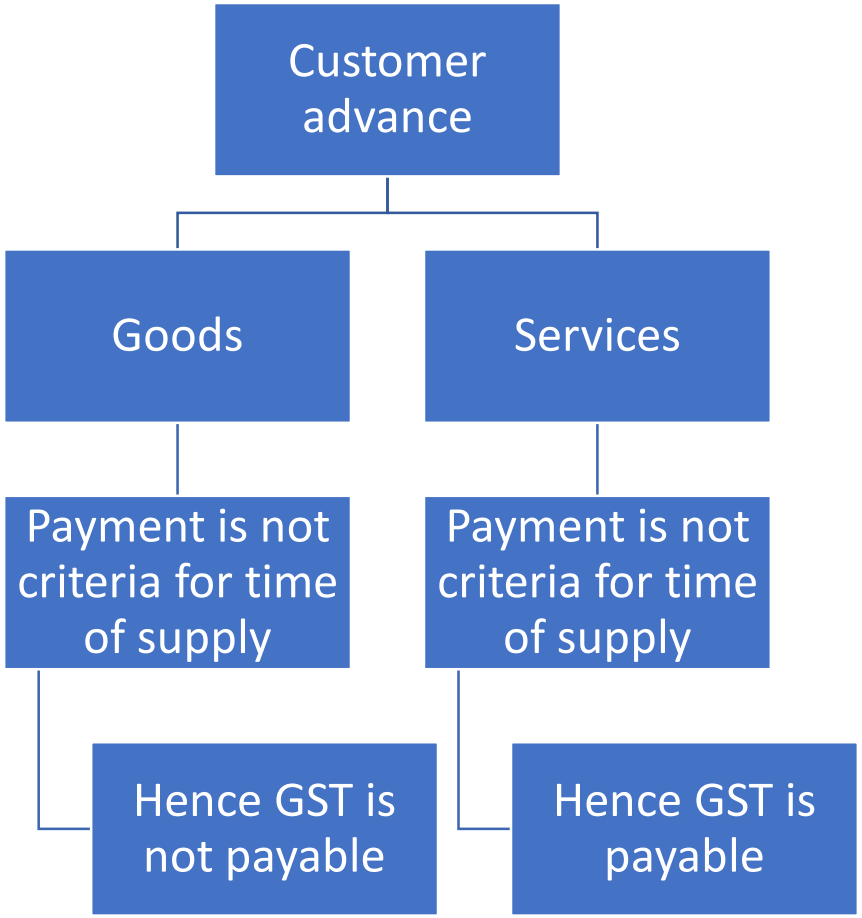
Customer Advance:



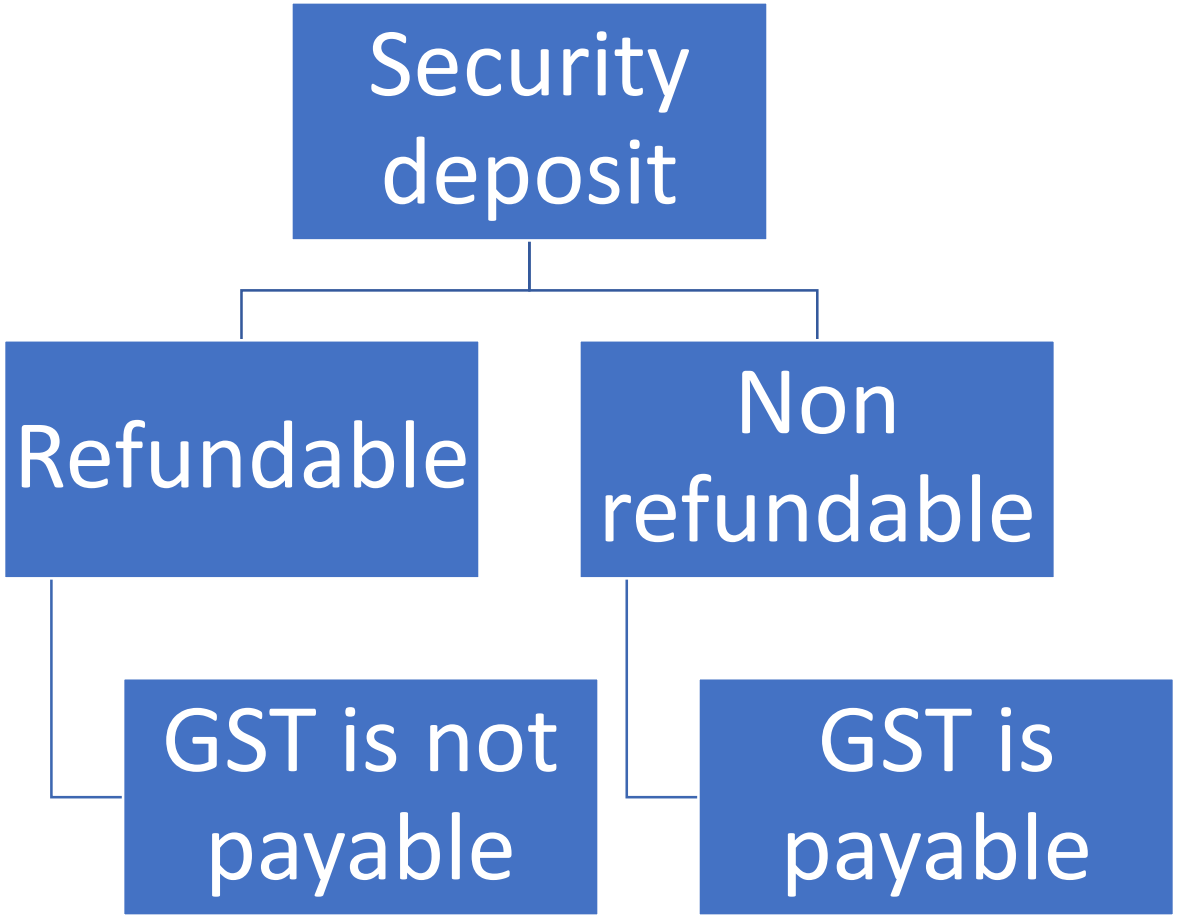
Customer Advance:



Customer Advance:



Security Deposits:



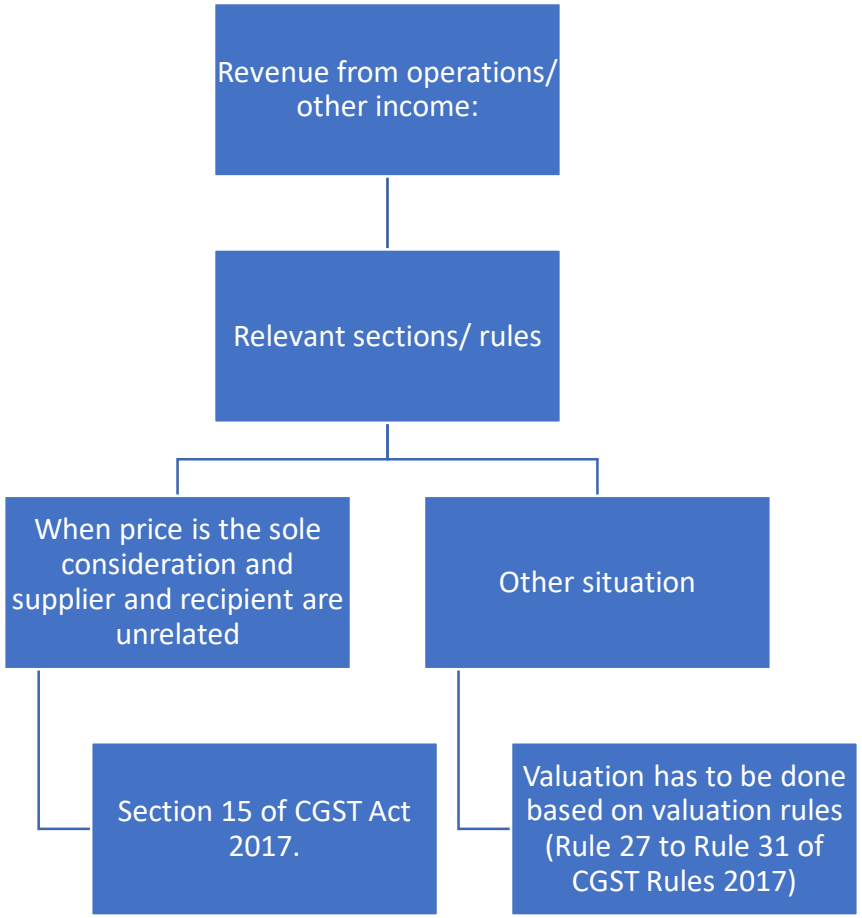
Retention money:

It is a part of the consideration payable held by the buyer to safeguard his interest.

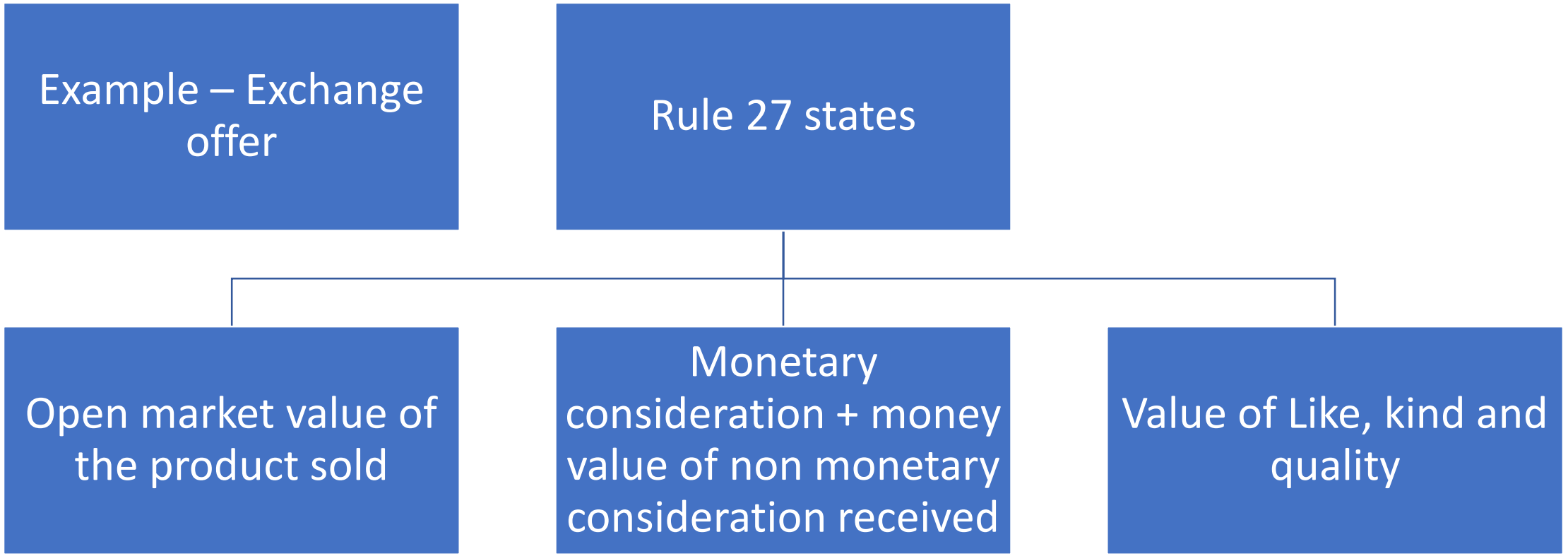
Gst is calculated on the whole value of the supply/ consideration.

Ensure that the tax liability is discharged on the whole value.

Review of Statement of Profit & Loss:



Valuation when price is not the sole consideration (Rule 27)



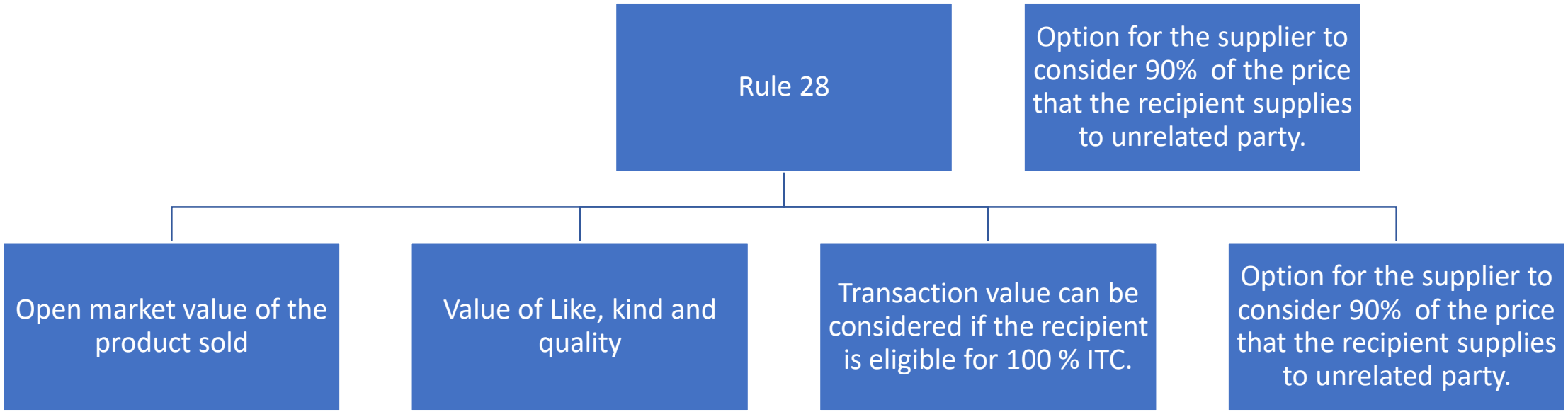
Transaction between related party/ distinct persons:

As per section 7 (1) (c) of CGST Act 2017 supply of goods/services between the distinct person is considered as supply even though if there is no consideration.

Valuation has to be done based on rule 28 of CGST rules 2017 and GST is payable on that value.

However, while preparing Financial statement, the above is considered as branch transfer and it is eliminated.

Transaction between related party/ distinct persons:



Principal – agent transactions

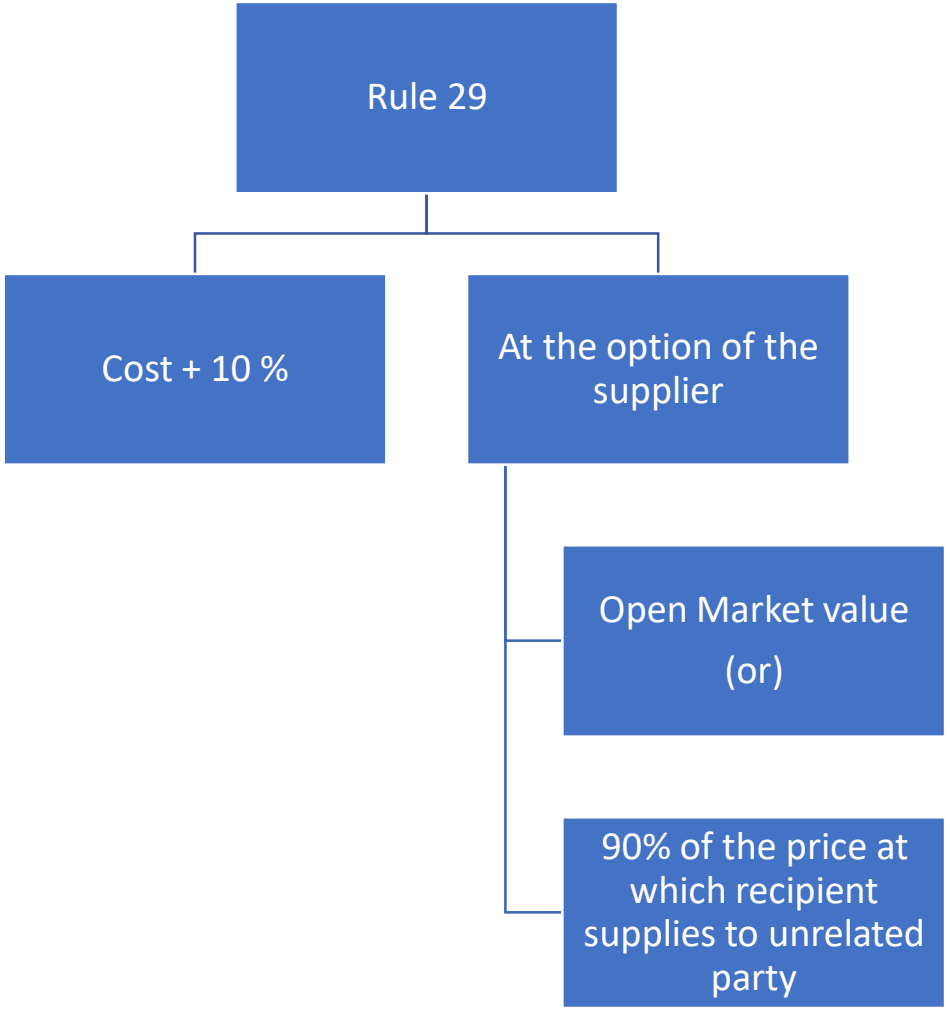
As per Sec 7 (1) (c) of CGST Act 2017, transaction between principal and agent will be considered as supply even though the same is not for consideration, when the principal is acting on behalf of the principal.

“acting on behalf”- agent has to issue invoice in his own name.

Valuation has to be done as per Rule 29.

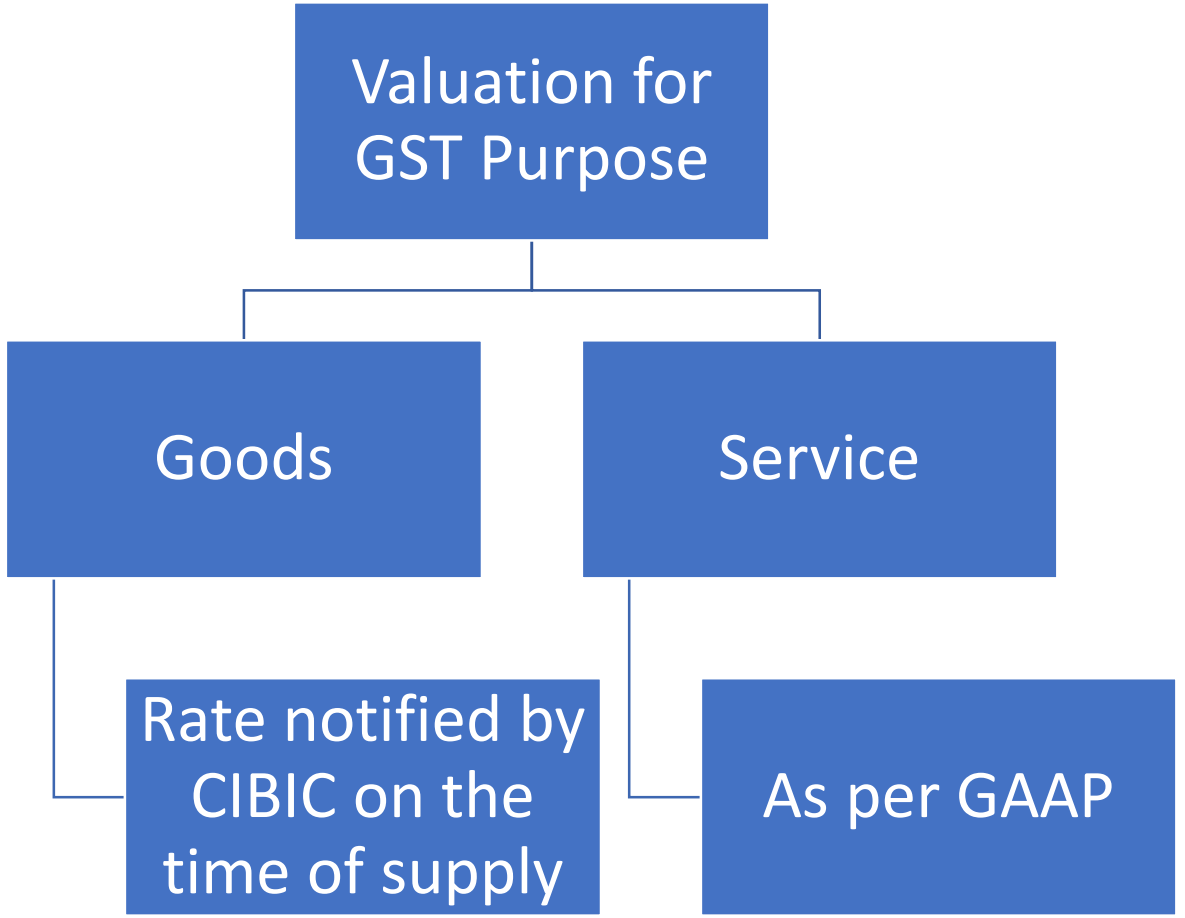
Verify Commission paid ledger and other agreements

Principal – agent transactions



Exchange rate impact on turnover

Incase of Export of service/ goods as per AS 11 while preparing Financial statement generally Average rate will be used to translate the Export value to rupee denomination



Exchange rate impact on turnover

Incase of export of goods since there is difference in valuation as per books and for the purpose of GST, Reconciliation to this effect is necessary.

Whereas in case of export of service since it is as per GAAP for GST purpose, there would be no difference in valuation between books and the GST purpose.

Credit/ Debit note:

In accounting, buyer may issue debit note for the purchase return made by himself.

Under GST both Debit note and Credit note has to issued by the supplier.

Credit note is issued by the supplier to reduce the taxable value or the tax amount.

Debit note is issued by the supplier to increase the taxable value or the tax amount.

Time limit – 30th November of the subsequent FY or date of filing AR whichever is earlier.

No time limit

NOTE 14 - Revenue from Operations

Sale of Products		
Contract Receipts	2,62,46,493	4,49,83,996
Domestic Sales	36,30,92,727	33,07,63,604
Total	**38,93,39,220**	**37,57,47,600**

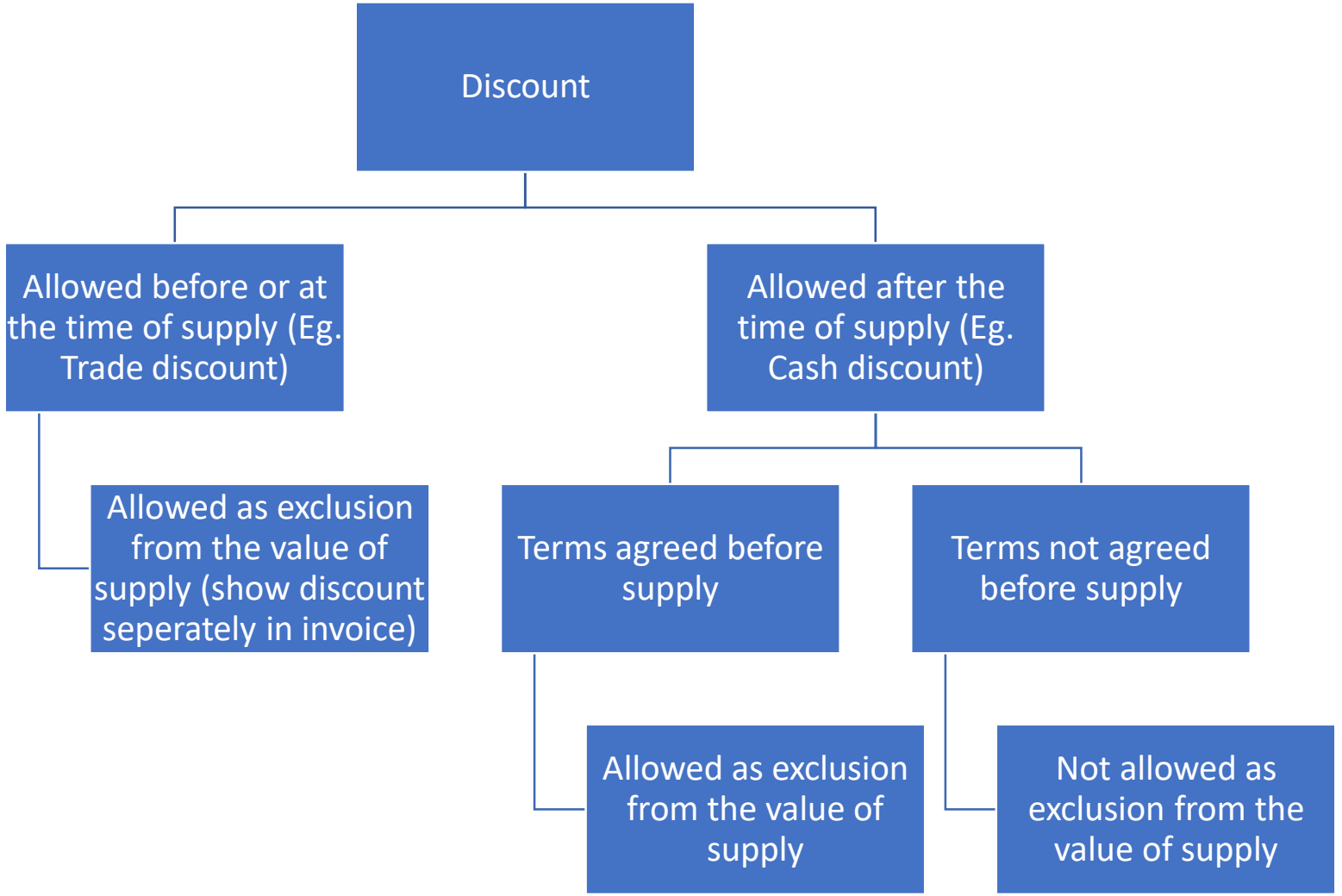
NOTE 15 - Other Income

Transportation Charges, Pumping & Mobilisation Charges	5,65,29,527	7,30,86,506
Sale of Scrap	58,941	67,559
Labour Charges	83,31,640	1,49,91,175
Lease Rent	2,00,000	-
Hire Charges	30,000	-
Interest Received	4,46,463	3,77,927
Credits No Longer Required Written Back	1,85,153	9,30,028
Discount Received	10,788	-
Profit on Sale of Assets	2,07,059	3,46,684
Profit on Sale of Investments	11,640	-
Land Surveying Service	-	70,476
Total	**6,60,11,211**	**8,98,70,354**

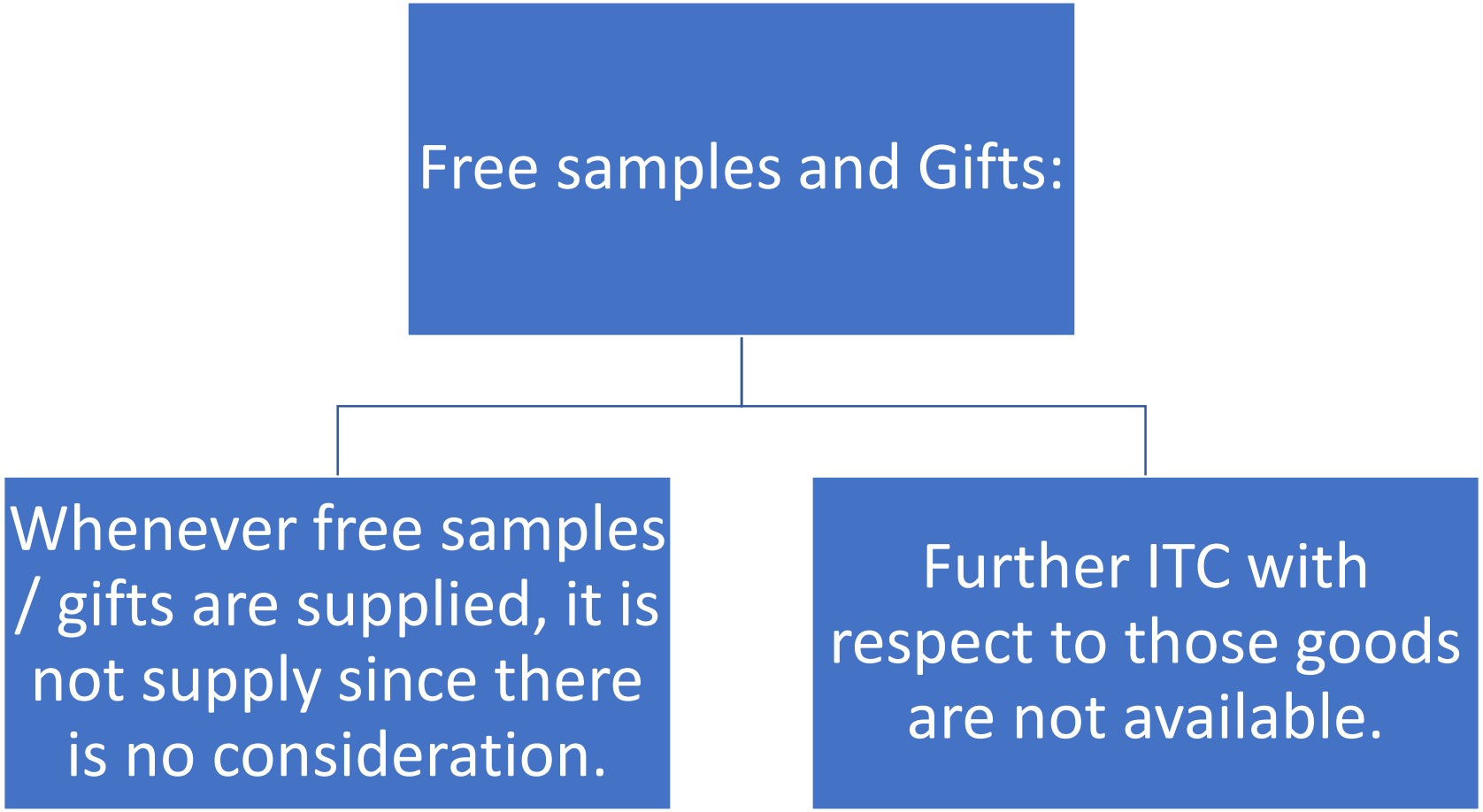
Various Reconciliations to be made for Revenue:

- GSTR 1 vs 3B
- GSTR 1 vs 3B vs Books
- GSTR 1 vs 3B vs Books vs Form 26 AS
- Reconciliation for Registered person with multiple registration to eliminate stock transfer.
- Reconciliation in case of Export of G/S for difference in exchange rate.
- HSN wise Turnover reconciliation.
- Rate wise Turnover reconciliation.

Expenditure- Discount allowed



Sales promotion expenses:

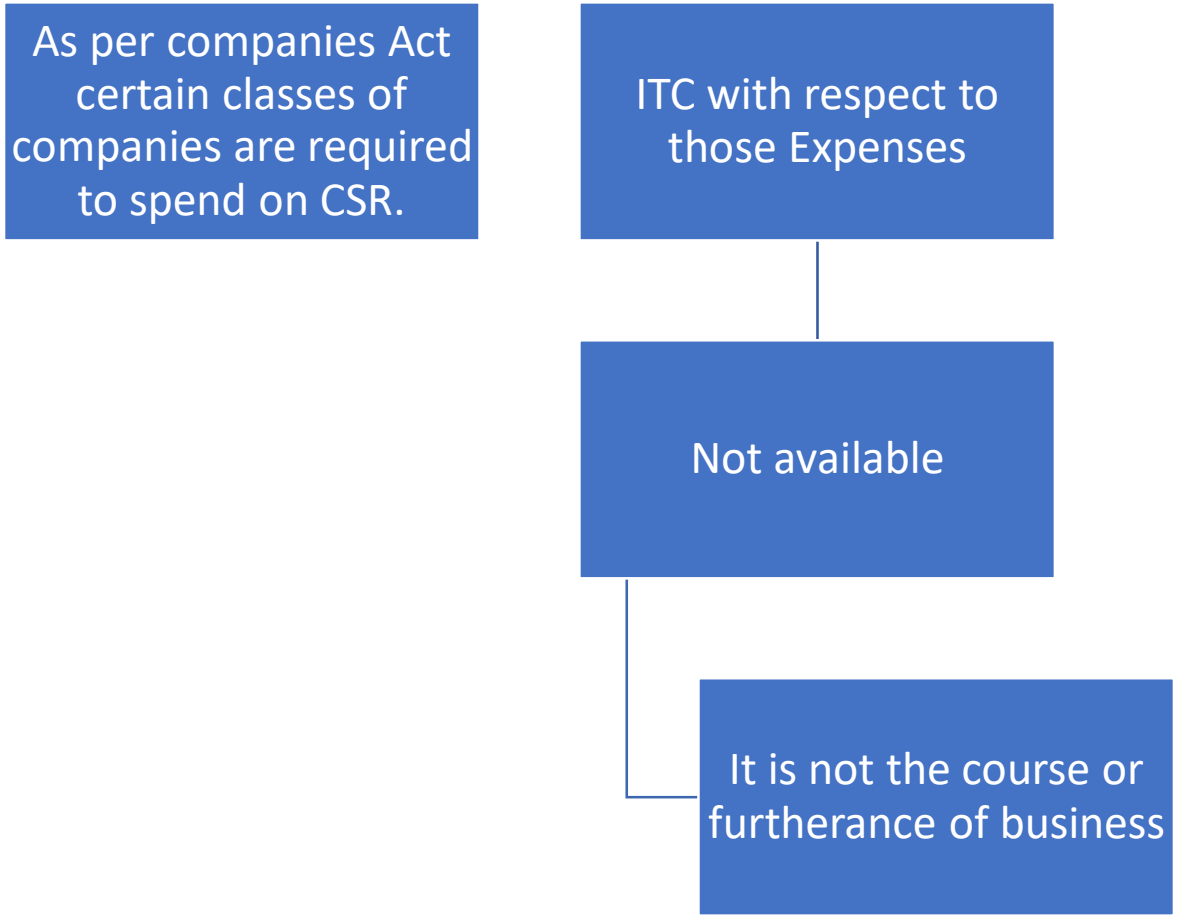


Is there any possibility for availing ITC?

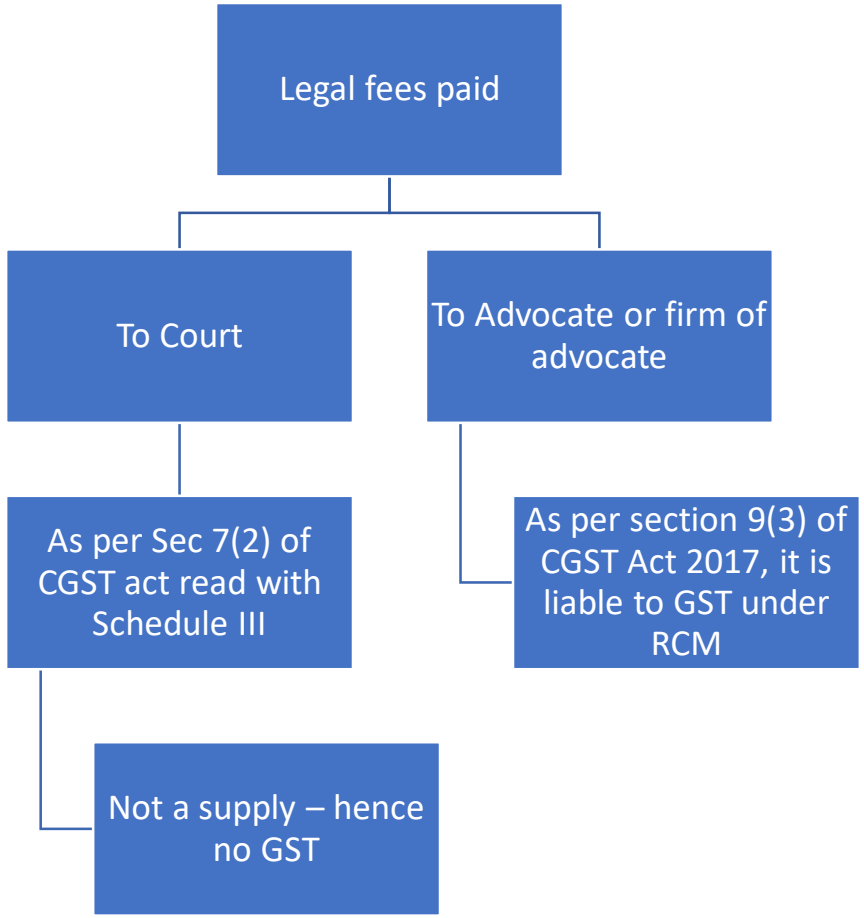
Particulars	Amount
Value of Bike	1,00,000
Value of Helmet	2,000
Total	**1,02,000**
Less: Discount	-2,000
	1,00,000

Discount is allowed as per Section 15 if the other conditions are fulfilled. In this case it is not free sale of helmet and ITC can be availed on the same.

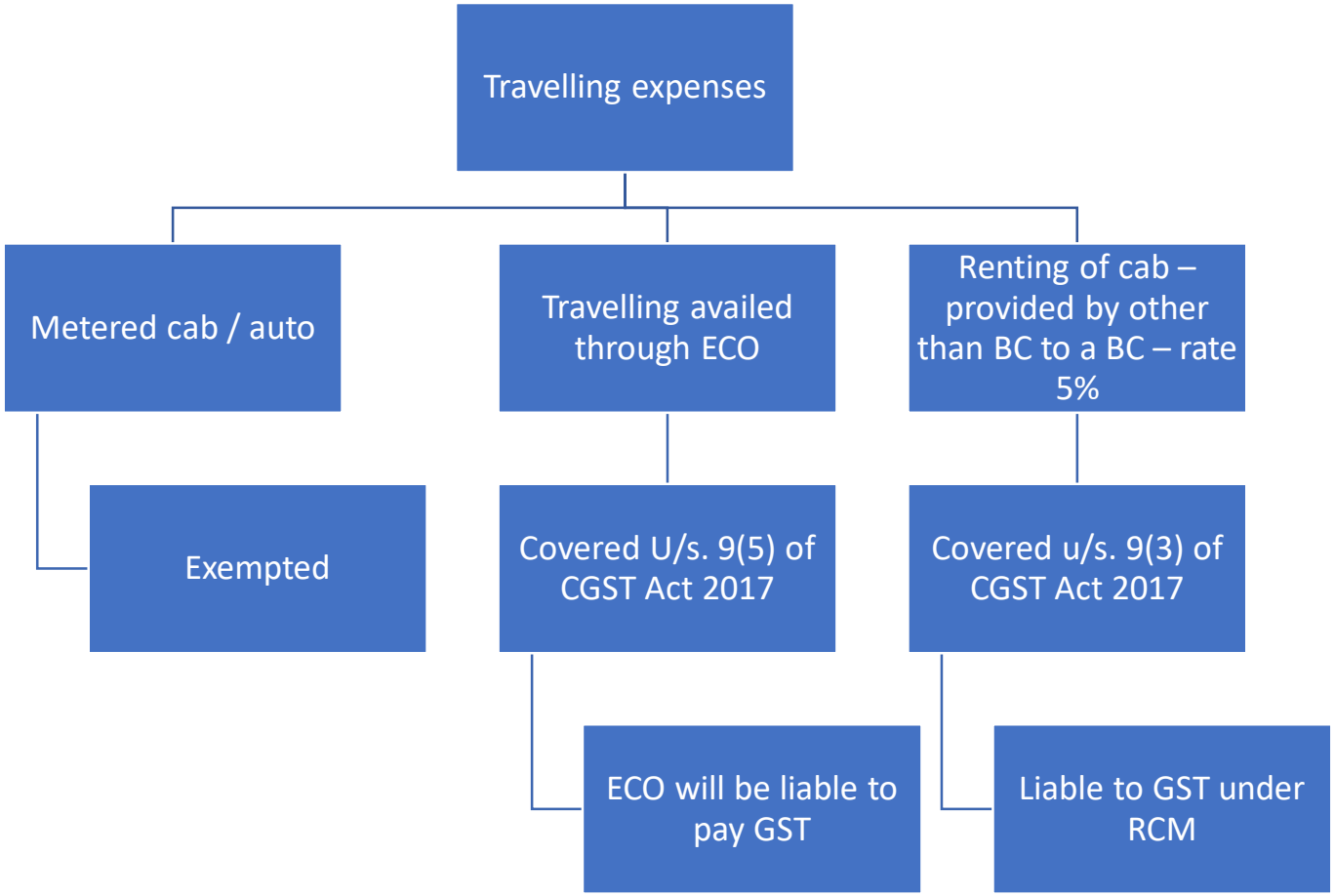
CSR Expense in case of corporate entities:



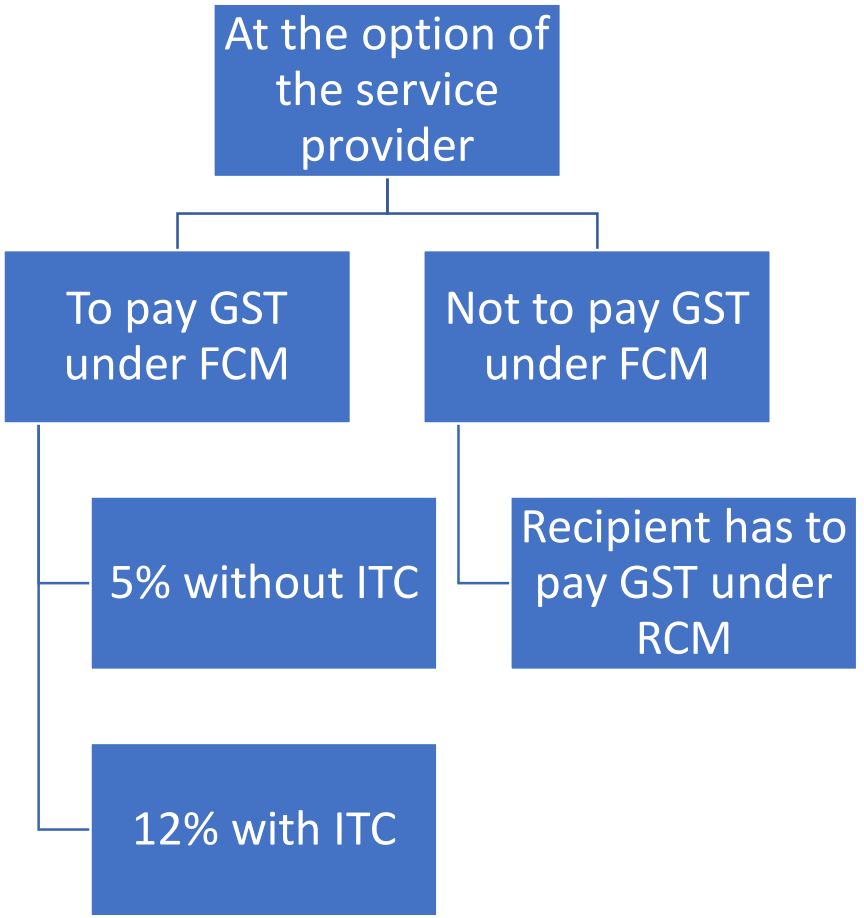
Expenses- Reverse Charge mechanism: Sec 9(3) of CGST Act 2017:



Travelling Expenses

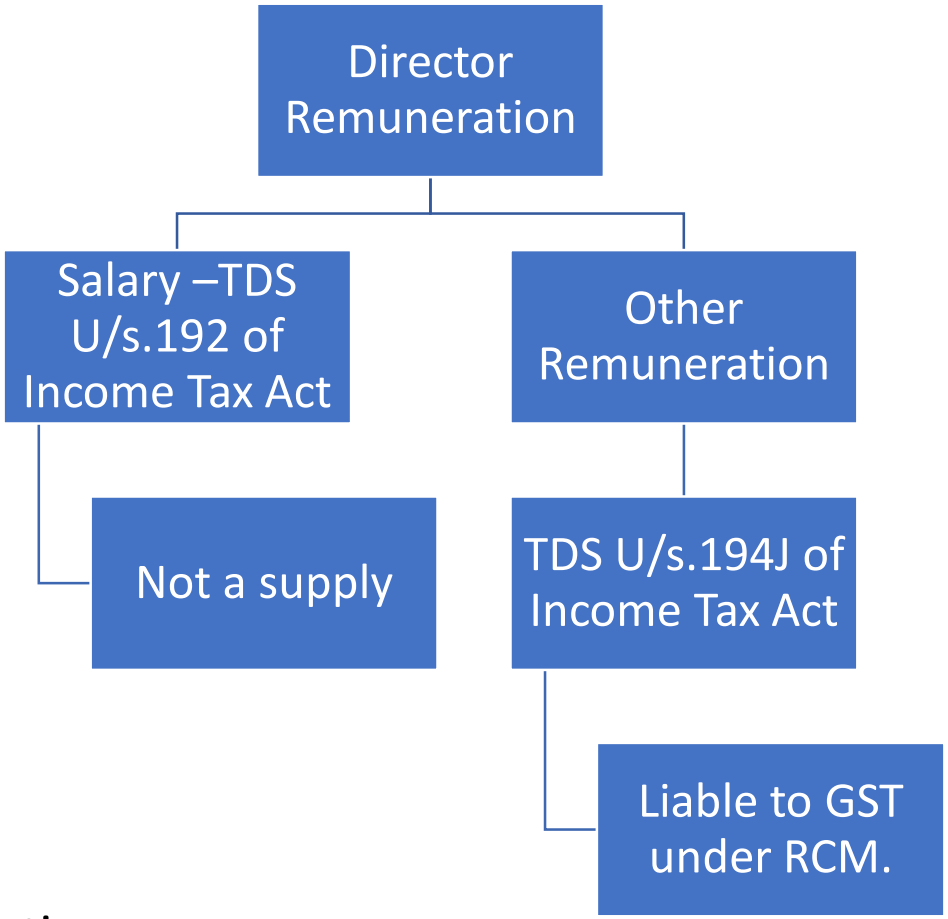


GTA service:



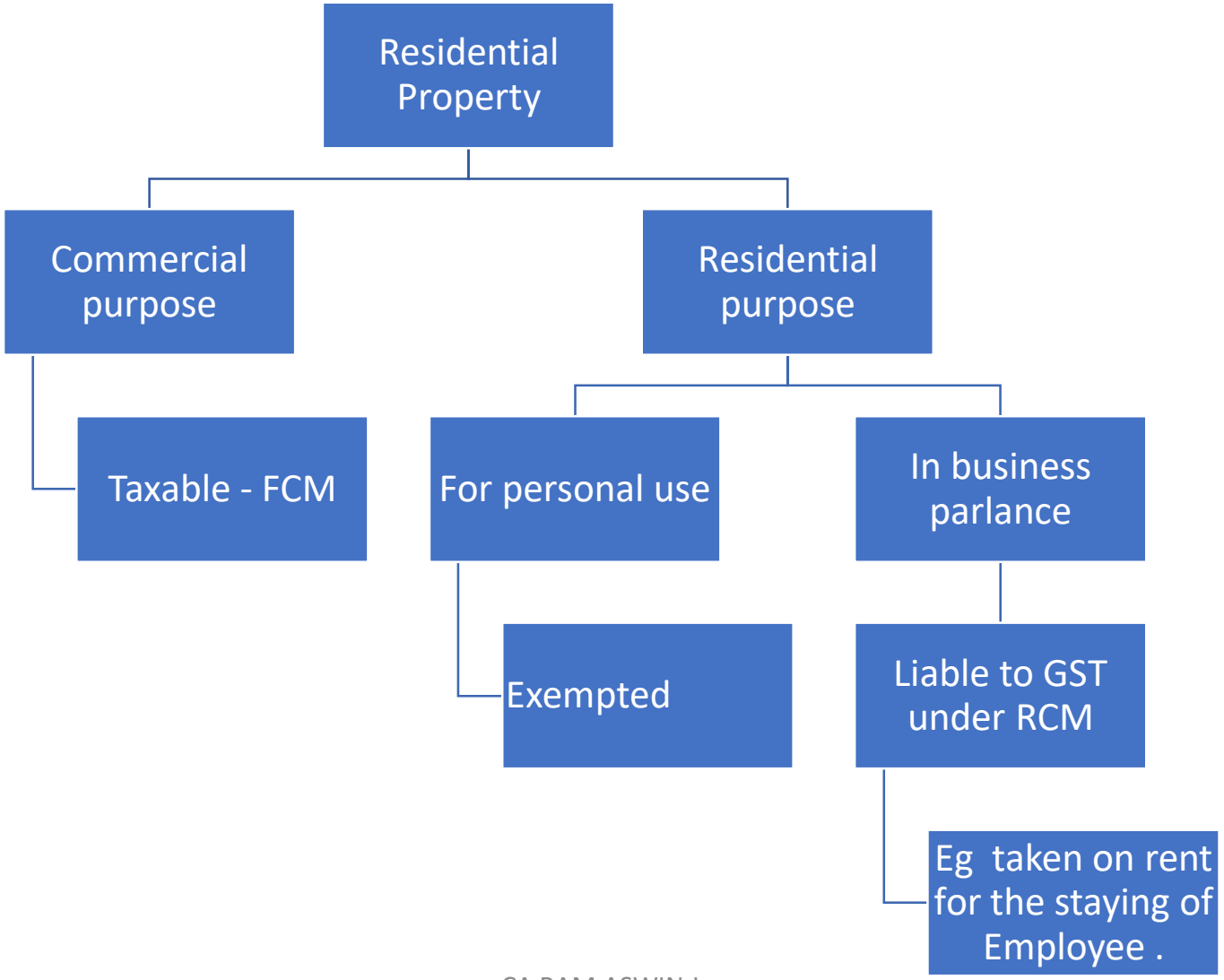
Supplier has to file Annexure V for paying tax under FCM.

Director Remuneration:

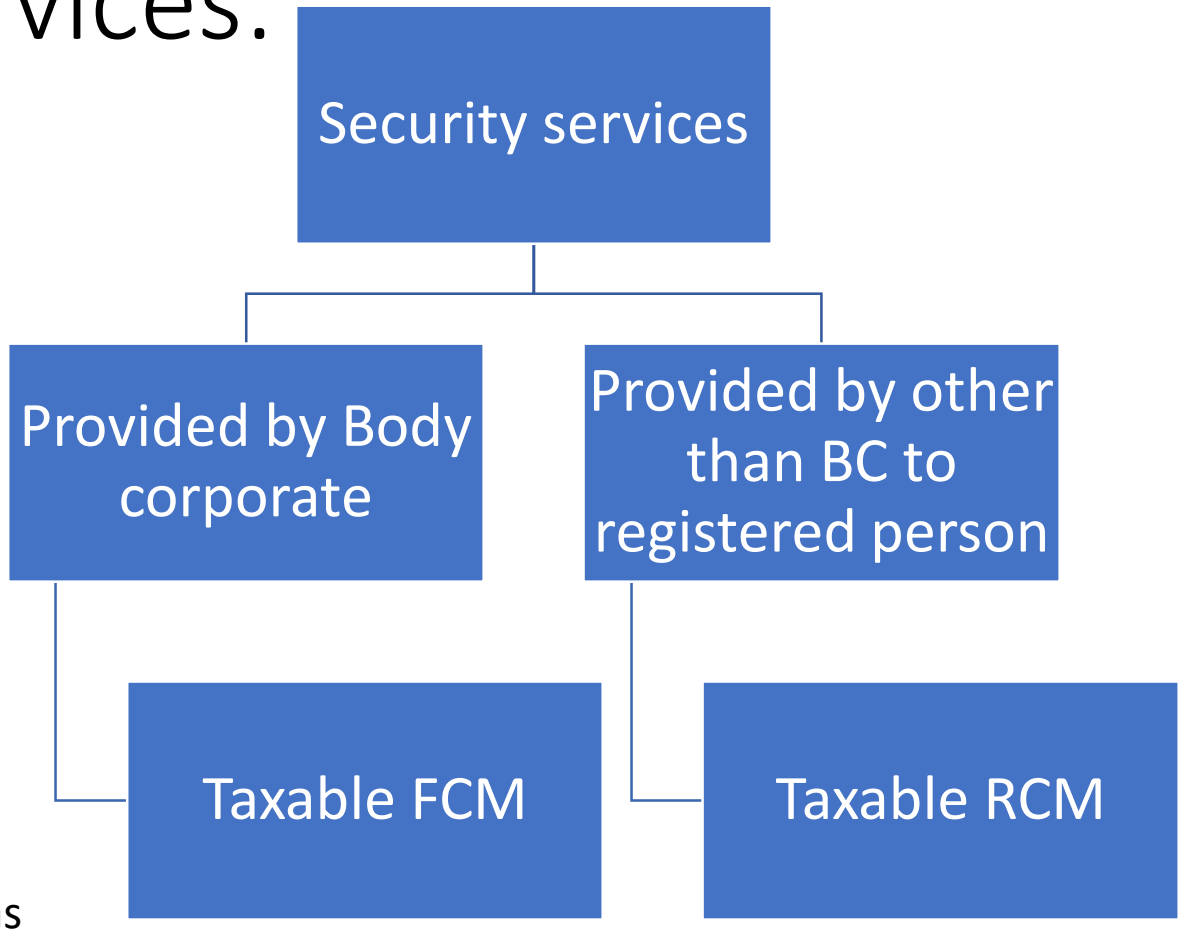


Executive Director or Non Executive Director – in MCA Portal – Details of Signatories

Renting of Residential property for Residential purpose:

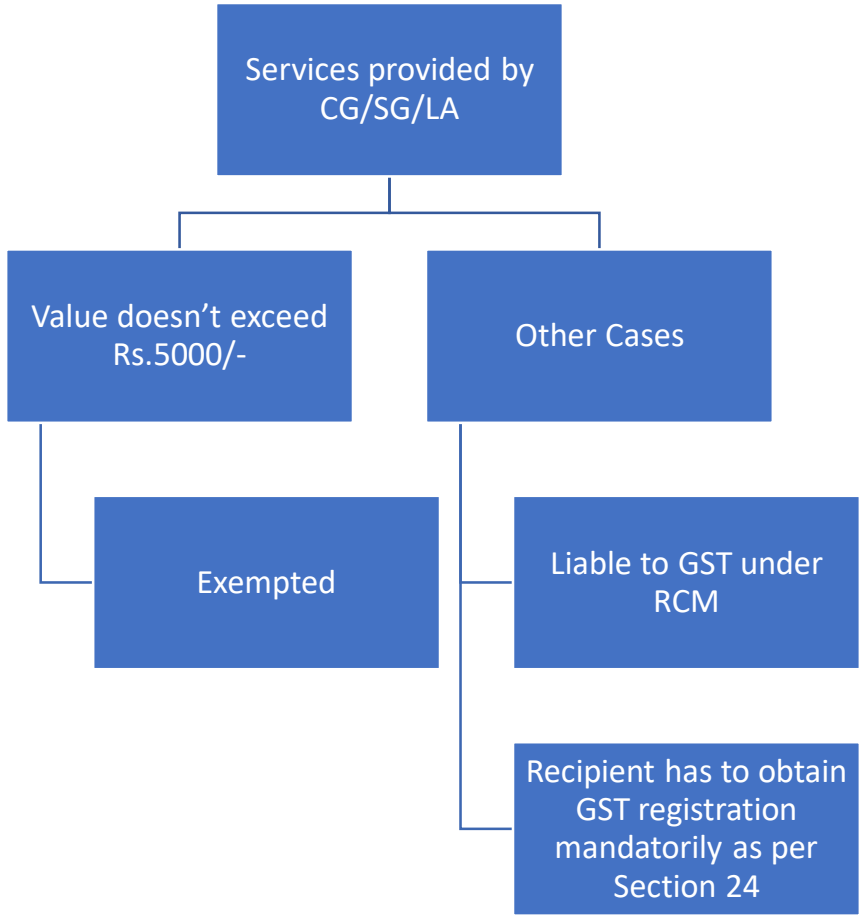


Security Services:

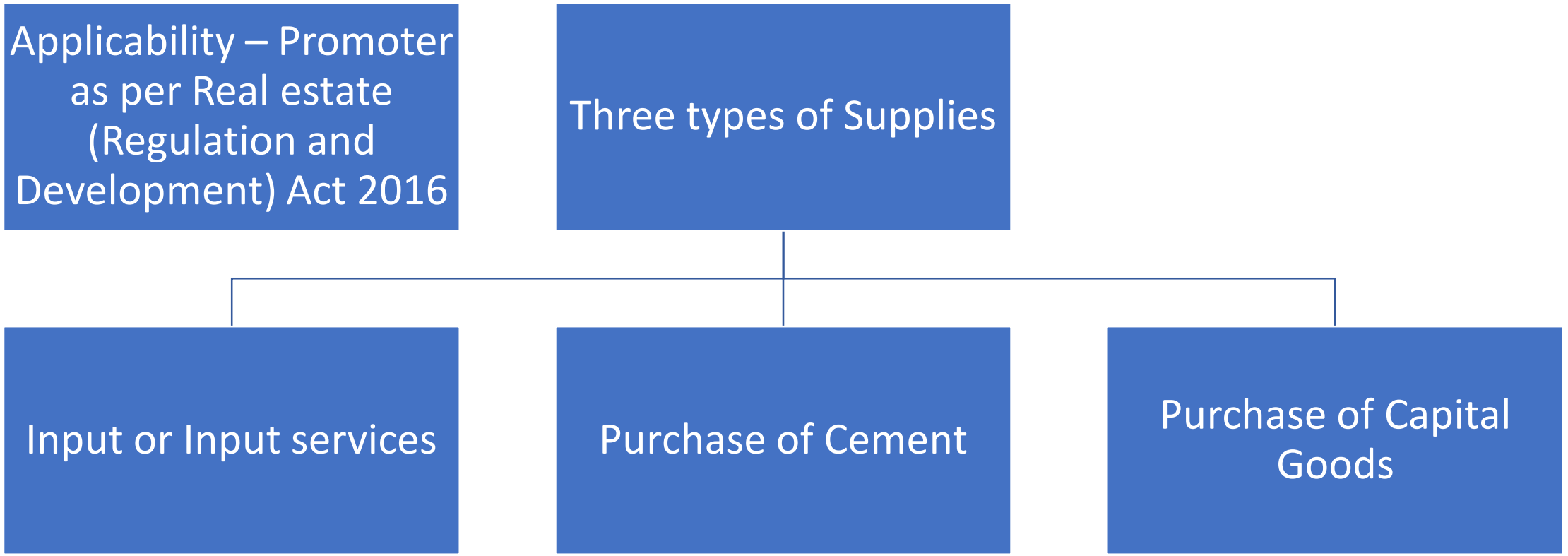


If the Recipient is registered as composition dealer or registered only to deduct TDS, RCM is not applicable

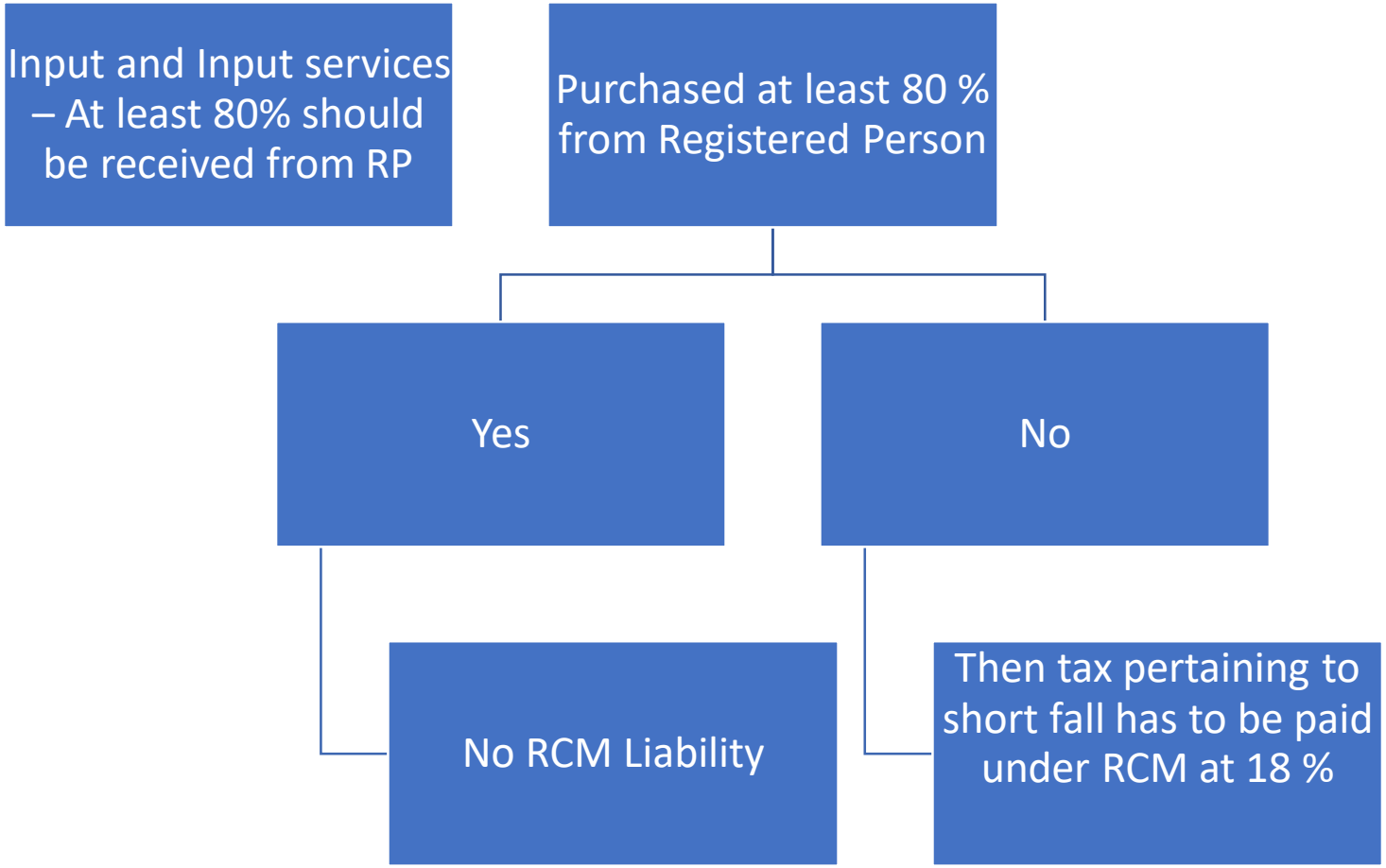
Services received from CG/SG/LA:



Sec 9(4) of CGST Act 2017



Inputs and Input services:



Purchase of Cement

Entire purchase of cement should be received from Registered person

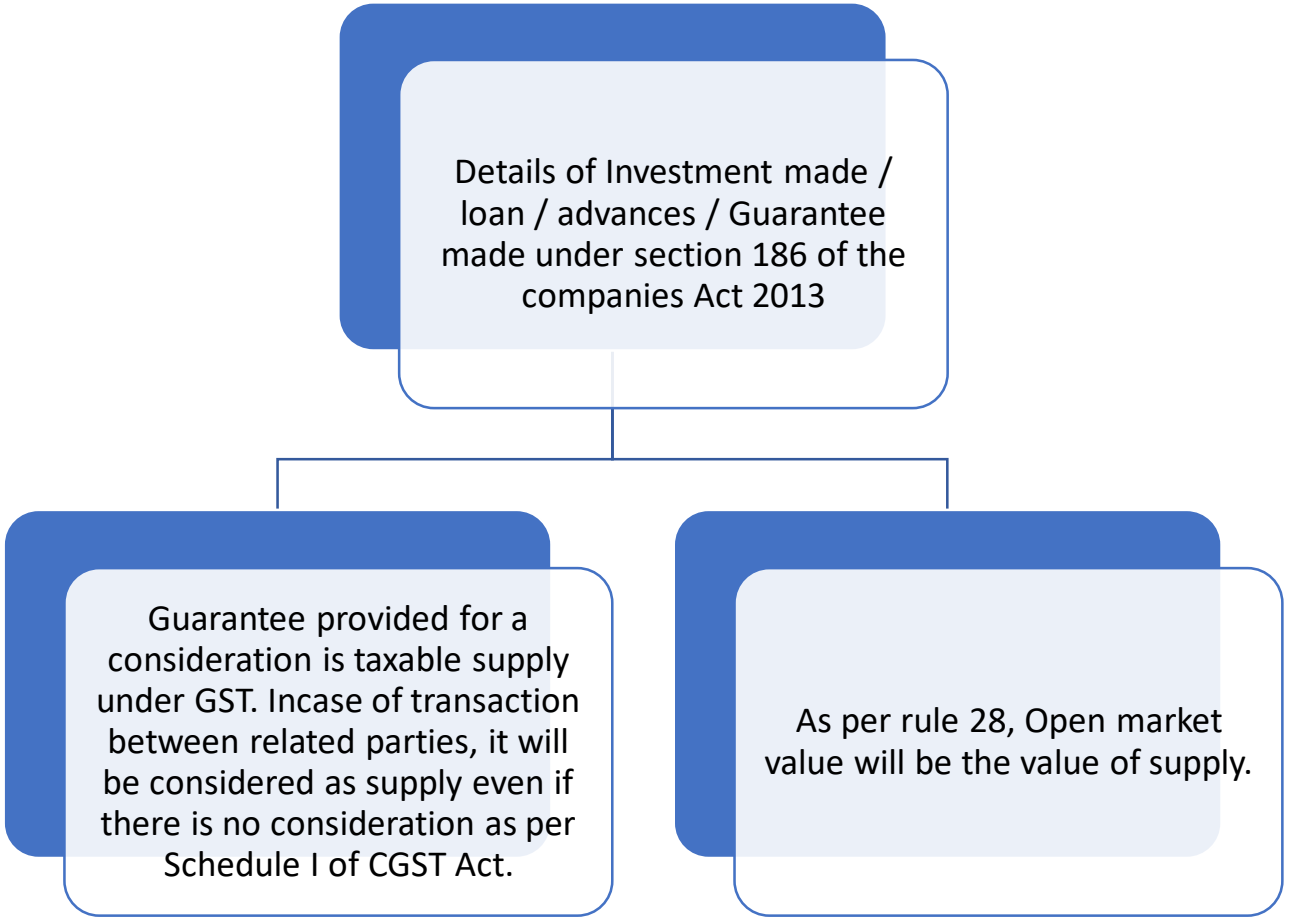
Else tax pertaining to shortfall has to be paid under RCM at 28%

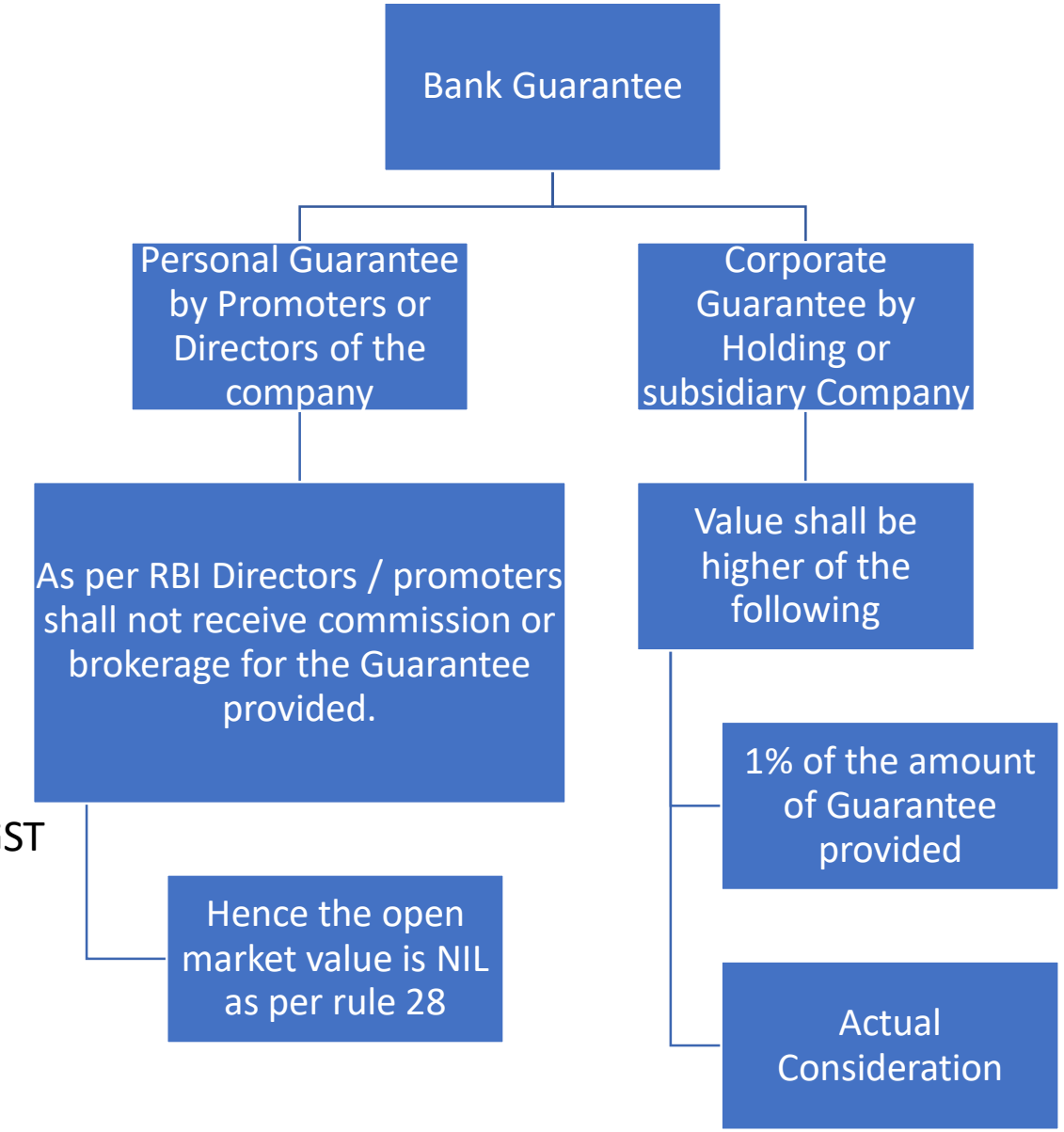
Capital Goods:

Entire purchase of capital goods should be received from Registered person.

Else tax pertaining to shortfall has to be paid under RCM at the applicable tax rate.

Notes to Accounts:





Notification No.52/2023 –CGST
Circular No.204/16/2023

7 STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY

The Company does not have any Risk Management Policy as the elements of risk threatening the Company's existence are very minimal.

8 DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The provisions of section 135 towards corporate social responsibility are applicable to the company. Details relating to the same are furnished in the annexure 1 to this report.

9 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The Company has given Corporate Guarantee to State Bank of India on behalf of its subsidiary company – [redacted]s Private Limited towards the Term Loans borrowed by them.

10 PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

All contracts arrangements / transactions with related parties are on arm's length basis and in the ordinary course of business.

The details of the same as per AoC-2 given in Annexure II.

11 EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE

CARO 2020:

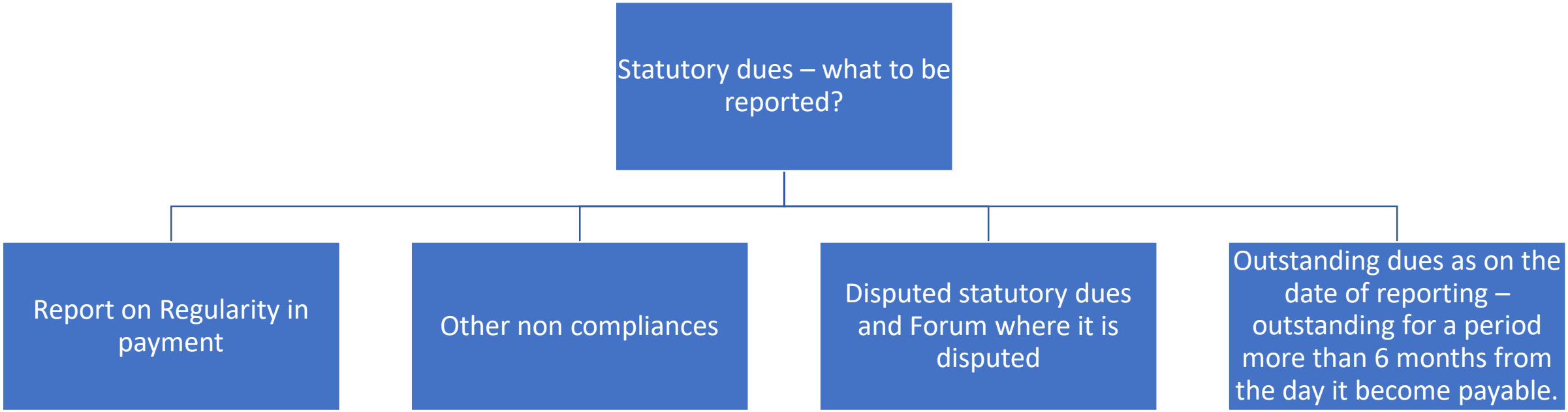
Para 7 – Mandates reporting about Statutory dues

ICAI has issued Guidance Note on CARO 2020.

It requires the auditor to carry various audit procedures and points to considered for reporting.

made as input tax credit in the books of account and consequently adjusted the same in the books of account against its Goods and services tax liability, same shall be considered as statutory dues paid on due date. However erroneous adjustments of one category of Goods and services tax credit with other category without appropriately applying the prevailing laws in the state/country will be considered as default in payment of statutory dues. The auditor may also review the Goods and services tax returns/audit reports and shall trace non-compliances, if any, disclosed thereunder for the purposes of reporting under this clause.

(i) For the purpose of this clause, the auditor should consider a


Statutory dues – what to be reported?
Report on Regularity in payment
Other non compliances
Disputed statutory dues and Forum where it is disputed
Outstanding dues as on the date of reporting – outstanding for a period more than 6 months from the day it become payable.

Income Tax: Form 3CA/CB

2. I certify that the balance sheet and the **Profit and loss account** are in agreement with the books of account maintained at the head office at **MADURAI** and **0** branches.

3. a. **I** report the following observations/comments/discrepancies/inconsistencies if any:

b. Subject to above,-

A. **I** have obtained all the information and explanations which, to the best of **My** knowledge and belief, were necessary for the purposes of the audit.

B. In **My** opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from **My** examination of the books.

C. In **My** opinion and to the best of **My** information and according to the explanations given to **Me** the said accounts, read with notes thereon, if any, give a true and fair view:-

i. In the case of the balance sheet, of the state of the affairs of the assessee as at 31st March **2023** ; and

FORM 3CD

- Clause 4 – Details of GSTIN
- Clause 18 – Details of Fixed asset additions/ deletion
- Clause 26 – Details of GST, that is passed through P & L A/c. (In case of Composition dealer)
- Clause 27 – Details of ITC availed during the PY
- Clause 35 – Quantitative Details of Inventories
- Clause 44 – Break up of Expenditure of entities registered or not registered under GST

Other Important Due dates in March and April:

- Form Annexure V – if GTA opts to pay GST under FCM- 15th March 2025 for FY.2025-26
- LUT (RFD -11) for FY 2025-26 – 31ST March 2025
- Form ITC -04 for Inputs/CG sent for job work – 25th April 2025
- GSTR 4 – Annual return for Composition dealer – 30th June 2025
- Form Annexure VII for “Opting in”→ Restaurant to be considered as “specified premises”– on or before 31st march
- Form Annexure VII for “Opting out”→ Restaurant to be considered as “specified premises”– on or before 31st march

FAQ’S

- Is Supply of Electricity, a supply of good or service?
- Whether a Partnership firm not registered under GST, is required to get registered if it receives services from an Advocate?
- Can a credit note be raised in case of bad debts?
- Can a buyer issue debit note to the supplier in case of purchase return under GST?
- Can an Advocate opt for paying GST under Forward Charge Mechanism?

FAQ’S

- Will remuneration paid to Independent Director attract GST?
- Whether ROC filing fees paid to MCA is subject to GST?
- Whether Inter state movement of conveyance between two distinct person is subject to GST? (Circular No. 1/1/2017 IGST)
- Whether compensation received by the employer for not serving notice period by the employee, constitute a supply? (Circular 178/10/2022- GST)
- Whether GST is payable on Insurance claims received?

FAQ'S

Whether room charges collected by the hospital from inpatients is fully Exempt?

A firm has paid Rs.1 Lacs to Mining authorities as royalty for license. The turnover of the firm doesn't exceed the threshold limit. Whether the firm has to obtain GST registration?

The turnover of the company in the previous year is Rs.4 Crores. The Turnover of the CY is Rs.7.5 Cr till date. Whether E- Invoice is applicable?

THANK YOU

CA RAM ASWIN J

MADURAI