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Indirect Tax Study Circle Meeting

Topic: Issues in GST Annual Return and Audit as relevant for the year 2018 – 2019

Date & Time: Thursday 3rd September 2020: 04.00 p.m. to 06.00 p.m.

Group Leader: CA Keval Shah

Chairman: CA Jatin Christopher

ABC Chartered Accountants are conducting GST audit for PQR (a Proprietary concern of Mr. P). The audit team has identified certain queries and seek responses on such queries. The queries are listed and categorized below as under:

1. General Issues

- a) PQR did not file Annual Return for the year 2017 – 18 since they were below the limit of Rs, 2 crores. However, they have exceeded the limit of Rs. 5 crores for the year 2018 – 19 and accordingly wish to file the Annual Return and GST Audit for the year 2018 – 19. The portal does not allow filing of GSTR – 9 for the year 2018 – 19, what should be the course of action for this?
- b) Since PQR is a proprietary firm, Mr. P also has certain income which are a part of personal savings bank accounts which is reported in Computation of Income and also Income Tax Return filed by them. Whether such Income should be reported in GSTR – 9 to be filed for the year 2018 – 19?

2. Outward Supply

- a) PQR had received advances in the year 2017-18 and paid tax on the same at the time of receiving such advances. The invoices against such advances have been raised in the year 2018-19 and because of which the turnover stated in GSTR – 3B is reduced to such extent. The said advances

have been reported in GSTR – 9 of 2017-18. Whether the same needs to be reported in GSTR – 9 of 2018 – 19 and how?

- b) PQR had made certain mistakes while filing GSTR – 3B for the year 2017 – 18 since it was the first year of applicability of GST. However, the rectifications of all such mistakes were made in the GSTR – 3B of 2018 – 19. How the same needs to be reported in GSTR – 9 & GSTR – 9C of 2018 – 19. The most important parameter in GSTR – 9 is Table 9 which auto-populates the payment details from GSTR – 3B of 2018 – 19 and the same are not editable. The following examples may be considered for understanding the reporting:

Case 1

Period Under Review	GSTR – 3B		GSTR – 1		Books of Accounts	
	Turnover	Tax	Turnover	Tax	Turnover	Tax
FY 2018 – 19	1,40,000	25,200	1,00,000	18,000	1,00,000	18,000
April 2019 to Sept 2019	-	-	-	-	-	-
2017 – 18 adjustments	40,000	7,200	-	-	-	-

Case 2

Period Under Review	GSTR – 3B		GSTR – 1		Books of Accounts	
	Turnover	Tax	Turnover	Tax	Turnover	Tax
FY 2018 – 19	1,20,000	21,600	1,00,000	18,000	1,00,000	18,000
April 2019 to Sept 2019	20,000	3,600	-	-	-	-
2017 – 18 adjustments	40,000	7,200	-	-	-	-

Case 3

Period Under Review	GSTR – 3B		GSTR – 1		Books of Accounts	
	Turnover	Tax	Turnover	Tax	Turnover	Tax
FY 2018 – 19	50,000	9,000	1,00,000	18,000	1,00,000	18,000
April 2019 to Sept 2019	-	-	-	-	-	-
2017 – 18 adjustments	(50,000)	(9,000)	-	-	-	-

Case 4

Period Under Review	GSTR – 3B		GSTR – 1		Books of Accounts	
	Turnover	Tax	Turnover	Tax	Turnover	Tax
FY 2018 – 19	40,000	7,200	1,00,000	18,000	1,00,000	18,000

April 2019 to Sept 2019	10,000	1,800	-	-	-	-
2017 - 18 adjustments	(50,000)	(9,000)	-	-	-	-

Case 5

Period Under Review	GSTR - 3B		GSTR - 1		Books of Accounts	
	Turnover	Tax	Turnover	Tax	Turnover	Tax
FY 2018 - 19	40,000	7,200	1,00,000	18,000	1,00,000	18,000
April 2019 to Sept 2019	-	-	-	-	-	-
2017 - 18 adjustments	(50,000)	(9,000)	-	-	-	-

- c) PQR had made one of the Exports with payment of GST, however while reporting the same in GSTR - 3B the same was inadvertently reported in B2B Sales. However, on realizing this mistake, in subsequent month the details were once again shown under Zero rated supply with payment and a corresponding ITC of the same was claimed. As a result of which the liability in GSTR - 3B is shown twice and also there is excess ITC claimed to the extent of double payment. How the same needs to be reported in GSTR - 9 and GSTR - 9C?
- d) PQR Limited also has certain exports where the value of exports is substantially higher as compared to domestic supplies. What shall be the position to be taken in terms of amended Rule 96B of CGST Rules, 2017. Also, PQR has certain unrealized amounts which exceeds the period as permitted by RBI, what shall be the implications of the same in GST Annual Return and Audit 2018 - 2019?

3. Inward Supply - Input Tax Credit

- a) PQR had purchased certain goods in the month of March 2018 but the same were in Goods in Transit and received by PQR in April 2018. The GST Consultant had advised them that the ITC cannot be claimed unless the goods are received by them. As a result of which, ITC was claimed in

2018-19. How the reporting of the same needs to be done since Table 6 of GSTR – 9 auto-populates all ITC claimed in GSTR – 3B of 2018 – 19 and Table 8 auto-populates ITC as per 2A for 2018 – 19 only.

- b) PQR was also providing certain exempted supplies and as a result of which there was a need for reversal of ITC. The ITC reversal for the year 2017 – 18 was made in the GSTR – 3B of 2018 – 19. How the same should be reported in GSTR – 9 & GSTR – 9C of 2018 – 19?
- c) What will be the position for disclosure of ITC reversal for the year 2018 – 19 in the following scenarios:
 - i. Reversal not made in GSTR – 3B in any period
 - ii. Reversal made in GSTR – 3B of 2018 – 19
 - iii. Reversal made in GSTR – 3B of 2019 – 20
- d) ABC is also aware that GST portal is now making the invoice level details of ITC reported in Table 8A i.e. ITC as per 2A. What should be the action points for the auditor to be taken in this regard?

4. Inward Supplies attracting Reverse Charge Mechanism

- a) PQR had paid URD RCM for the year 2017 – 18 in the year 2018 – 19 and reported the same in GSTR – 3B of 2018 – 19. Whether the same needs to be disclosed in GSTR – 9 of 2018 – 19 in the following scenario:
 - i. Disclosed in Table 10 of GSTR – 9 for the year 2017 – 18
 - ii. Not disclosed in GSTR – 9 of 2018 - 19
- b) ABC realized that PQR has paid RCM twice on a transaction of Sponsorship for one of the month. The ITC was also claimed to the extent of RCM paid. The accounting treatment given in books of accounts for RCM liability and ITC was also twice. What action should be taken while filing the annual return and also need to discuss the reporting of the same in GST Audit

5. Interest

- a) PQR had initially not paid for RCM on Import ocean freight contesting the applicability of GST is ultra-virus. However, while filing the GSTR – 3B for March 2019, the consultant advised that since ocean freight is related only towards taxable supplies it may be advisable to pay the same and claim ITC as against litigating the same. PQR decided to pay the said RCM for the year 2017 – 18 and 2018 – 19 in March 2019 without paying interest. Corresponding ITC was also claimed. How would it impact the annual return and the GST Audit for the year 2018 – 19.

6. Other Issues

- a) What shall be the implications of not disclosing the value of “No Supply” in Table 5 of GSTR – 9. Can this amount to Suppression?
- b) What shall be the implications if Table 8 of GSTR – 9 is not filled? How would the auditor interpret the same?
- c) Is the GST Auditor responsible also for certifying all figures incorporated in GSTR – 9C. More importantly the figures which are left blanks are automatically taken as zero. Does it cast an onus on Auditor that it is certified as zero?
