

As all of us are aware that the nation is under lockdown due to Covid 19. The financial year ending tasks are still not done. It is advisable to do the following tasks and keep the suitable documentary evidences ready as soon as the lockdown is lifted and the businesses get back to their normal working mode.

The article below has been divided into Important tasks being

- A. Compliances Tasks
- B. Input Tax Credits Tasks
- C. Reconciliations Tasks
- D. Law Related Tasks

A. Compliances Related Tasks

1. Invoicing:

Ensure creation of a new/unique invoice series of invoices to be raised from 01 April 2020. The **underlying concept** is that every invoice need to be unique. Now, **unique** means there should not be any duplication or repetition. When the invoice will be entered while filing Gstr 1, the GSTN portal should **not** catch it up as **repetitive** for the same financial year. The word is **same financial year**. That means the invoice serial number should not repeat within the same financial year.

2. Aggregate Turnover:

This is very important. Aggregate turnover –

“aggregate turnover” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Inclusion in calculating Aggregate Turnover :- Taxable supply , exempt supply , Nil Rated supply , Zero rated supply , Non GST supply and supply to distinct person ,need to be included in calculation of aggregate turnover.

There can be situations where GST aggregate turnover will be different from balance sheet turnover. Stock/ branch transfers/cross charges shall form part of Gst turnover but on analysing balance sheet turnover, such would not form part of financials since the effect is turnover neutral.

Now, the aggregate turnover is a determining factor for the following decisions:

- a) Whether to file gstr 1 in the year 2020-21 on quarterly or monthly basis
- b) Whether to mention HSN codes or how many digits to be mentioned; turnover below 1.5 crores need to mention HSN, turnover between 1.5 and 5 crores need to mention 2 digits, turnover above 5 crores need to mention 4 digits compulsorily. Total 8 digits are there in HSN/SAC codes
- c) Whether to opt for composition scheme dependent on turnover; (turnover threshold being 1.5 crores, 75 lacs and 50 lacs for different businesses)

3. Debit or Credit Notes

In case of any discrepancies between the sales or purchase returns, the required necessary Debit note or Credit notes have to be raised to keep our records for the purpose of department audit trial.

4. RCM – Reverse Charge Mechanisms

For any inputs and tax paid on Reverse Charge Mechanisms, the same should be supported by reverse charge Self Invoices. These invoices need to be generated for reverse charge paid and input taken on supplies received from unregistered suppliers. The invoice sequence and series to be maintained which would form part of Gst 1 filings. The tax authorities can also ask for the documentary evidence on the basis of which itc has been taken, the self invoices would come as handy here with.

B. ITC Related Tasks

5. ITC Reversal Second Proviso to Sec 16(2)

Where a recipient fails to pay to the supplier of goods or services or both (other than the supplies on which tax is payable on reverse charge basis), the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed - second proviso to section 16(2) of CGST Act. If partial payment is made, the reversal will be proportionate to the amount not paid to the supplier. If the recipient later makes payment to supplier, he can take credit of input tax - third proviso to section 16(2) of CGST Act.

Reverse ITC on instances where the Company has not paid the consideration to the **Supplier within 180 days from the date of supplier's invoice**. Keep the Creditors reconciliation ready for the invoices above 180 days and take appropriate actions.

6. Restricted ITC as per 36(4):

Ensure availing credit as per the 36(4) of CGST Rule 2017, though you might have received goods or services along with Invoice copy but the 90% restricted credit, depends on the number of Invoices uploaded in portal. Eg. Your 100% credit is eligible only when your supplier has uploaded the invoices to the extent of 90% in portal for the particular month. From 09th October 2019 till 31st December 2019, the rule was for 20% availment. From 01st January 2020 till 31st January 2020, the rule is of 10% availment. For the successive months of Feb, Mar, Apr, May, June, July, Aug 2020, the cumulative impact of 10% rule need to be adjusted in Sep 2020 Gst 3B return as part of Covid 19 Relief measures.

Since the new return date extended till Sep'2020, restricted credit is applicable till new return is going to come.

Keep monthly reconciliation between Purchase ledger Vs Portal to provide this information during department audit or query from Tax dept.

7. Blocked Credit:

Section 17(5) requires reversal of credit in the case of goods lost, stolen, destroyed, written off etc. The companies are likely to decide about the writing off any inventory, if any during the year end closing by March 31, 2020. In such cases, ITC attributable to such goods shall be reversed. Also, such blocked credit need to be identified and the itc need to be reversed, if ITC wrongly taken with interest @ 24%.

8. Job work:

Ensure that the **inputs** sent out for job work activity have been received back within one year from the date of being sent out.

Material delivered directly to Job work premises, or Direct supply from Job work etc., needs to be looked into.

Job work material delivered directly to Customer, after process, needs to be looked into.

ITC-04 Return will be important one for the year 2019-20 towards job work transactions. (First return post GST implementation) since the ITC 04 for 2017-18 and 2018-19 were finally waived off after too many extensions.

C. Reconciliations Related Tasks

9. Reconciliation of GSTR 1 with GSTR 3B

The outward supplies as per Gst 3B need to be reconciled with Gst 1; in case there is 3B turnover is less, identify it and pay tax with interest @18% as soon as possible. In case, 3B turnover is more, identify with the sale bills/ invoices and if extra tax paid, the same to be noted for future adjustments.

10. Reconilication of Gst 3B with the ITC on purchases

In case, itc taken in 3B is more than the actual purchase invoices, the same need to be reversed and paid back with interest @24%. And in case, 3B itc is less than the eligible purchase invoices, the same need to be claimed immediately. The main step is to identify them.

11. Gst 3b/1 entries VS Accounting entries

There have been many occasions when the accounts team makes the corrections of the above reconciliations in Gst returns but the same is not reflected in the accounting entries. The book entry need to be done simultaneously with the Gst corrections so as to present a fair picture.

12. Reconciliation of E Way Bills with Gst 1 and further with Gst 3B

There can be instances where EWBs sales are more than Gst 1 sales. That need to be checked with sale invoices and tax need to be paid, if required and similarly, if EWB sales are less than Gst 1 sales, that need to be reconciled. There can be cases where there is no requirement of E way bill generation and the sale bills have been issued. The above need to be done firstly to reconcile our books with Gst returns

Secondly, it would be useful while conducting Financial audits and Gst audits and annual return

Thirdly, the same would be a ready substantive evidence, in case the notices come from the authorities for mismatch in EWB vs Gst 1 or 3B sales.

The corrective actions can be taken promptly right now.

13. Reconciliation of Gst 1/3B Sales with balance sheet sales

This is an important step assuming above steps have been done and would come handy while income tax and gst audits and annual returns.

14. Reconciliation of ITC ledgers:

It is advisable to reconcile the GSTR-1 & 3B, cash ledger and credit ledger as per GSTN portal with the books of accounts. Tax wise Credit, cash ledger need to be matched with the respective ledgers as per books of accounts.

15. Reco of Gst 2A with the purchase invoices

It is highly recommended to the companies to download all GSTR 2A for F.Y. 2019-20 and record all the GST inputs excluding the ineligible ITC claims. If any of the input is not mentioned in GSTR 2A, then the accounts team is required to follow up with the vendors and inform the management so it can be rectified immediately.

16. B2B, B2C Reconciliations

B2B and B2C sales need to be reconciled with the Gst 3B/ 1 with the books of accounts. This need to be done for a fairer picture and to avoid an event in future where, B2B sales wrongly shown as B2C sales and the receiver is not able to get the credit as per his 2A and asking for the tax and interest liability thereon.

D. Law Related Tasks

17. Expense Provisioning:

Expense provisions with respect to import / domestic services with associated entities would have possible GST implications under reverse charge mechanism (RCM). The accounting entries need to be analyzed in detail with supporting workings. If the provision is being made, RCM tax need to be paid as per the provisions.

18. Cross-check for income on which Zero or partial GST is paid –

For cases where GST on income is not paid or paid at lower rates, do take corrective action. And for export supplies, make sure you have proper LUT for the concerned financial year.

19. Books Stock vs Physical Stock :

Physical stock need to be reconciled with the stock as per books of accounts. This would be handy in both income tax and gst audit. In case of any discrepancies, the possibility of its reversal should be taken into account.

20. GST on advanced payments –

One must make sure that GST has been paid on advances received from customers as on 31.03.2020.

21. Refund for FY 2017-18 –

The last date to apply for a refund of GST related to FY 2017-18 is 31.03.2020. Ensure to timely make the compliances, if applicable.

22. Cross Charges :

Cross charges are the supplies made by the Head office to branch offices or vice versa. The same supplies need to be identified and the provision need to be done and the respective

invoice need to be raised for common services. The tax effect would be neutral since for one distinct person, it is an output liability and for the other, it would be an input tax. AAR, in a case pertaining to Columbia Asia Hospitals, had said such activities would qualify as a service provided by head office to other locations and hence companies are required to be cross charged and levy GST on the same