

GST Compliance & Audit SYSTEMS

04.12.2022

CLICK ON THE ICONS TO FOLLOW US



FLOW OF SESSION

**CREATING A
BASE**



**GST
KYC**



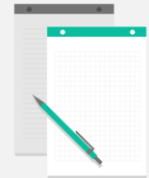
**EXCEPTIONAL
TRANSACTIONS
[OT]**



**EXCEPTIONAL
TRANSACTIONS
[R]**



**RECO.
STATEMENTS**



CREATING A BASE



CLIENT PROFILE



FOR NEW CLIENTS - CREATION OF CLIENT PROFILE

[Before starting with any work under GST, creation of a client profile is vital as it will create a base to decide the way forward]



FOR EXISTING CLIENTS - REVISIT PROFILE

[Revisiting the client's existing profile to incorporate the required changes and also taking appropriate actions such as updating DSC, ITC issue etc]



REGISTRATION



INPUT SERVICE DISTRIBUTOR [ISD]

[More than one location and receiving services which are common for more than one location]



JOB WORK

[Place of unregistered job worker needs to be added as an additional place of business, where the goods are directly supplied from the place of such job worker]



DISPLAY OF REGISTRATION CERTIFICATE

[Display of GST registration certificate at prominent places & mentioning GSTIN on name board – General penalty up to INR 50K]



YEAR START REQUIREMENT



UNIQUE SERIES

[Unique series for Invoice, bill of supply and other documents to be issued under GST – General penalty up to INR 50K]



LETTER OF UNDERTAKING

[Letter of undertaking for clients engaged in making zero-rated supply – Denial of benefit]

GST KYC



PROCESS FOR ISSUANCE OF VARIOUS DOCUMENTS

Understanding the client's document issuing policies to compare with Section 31 of CGST Act read with Rules made thereunder



ACCOUNTS & RECORDS

Understanding the client's accounts and records maintenance policy to compare with Section 35 of CGST Act read with Rules made thereunder



PLACE OF SUPPLY FOR FORWARD & REVERSE CHARGE

Understanding the client's policy to determine Place of supply to compare with Section 10 to 14 of IGST Act



TIME OF SUPPLY

Understanding the client's policy to determine Time of supply to compare with Section 12 to 14 of CGST Act read with Rules made thereunder



ACCOUNTING SYSTEM FOR ITC

Understanding the client's accounting policies to ensure proper availment and reversal of ITC



OTHER SIGNIFICANT POLICIES / SYSTEM

Understanding the other significant policies such as tracking of material movement under various scenarios, generation of E-way bill, determination of the



LITIGATION / ADVANCE RULING

Understand the status of litigation such as issue, stage, etc



OTHER AUDITS HAVE ADVERSE COMMENT IN RESPECT OF PROCESSES, ERP WHICH WILL HAVE IMPACT ON GST COMPLIANCE

EXCEPTIONAL TRANSACTIONS – ONE TIME



FREE / SAMPLE SUPPLY OF GOODS & SERVICES

Treatment of ITC availed on goods and services used in making such supplies – ITC reversal



FREE SUPPLY OF GOODS & SERVICES UNDER WARRANTY

Treatment of ITC availed on goods and services used in making such supplies – No ITC reversal + Documentation [Delivery challan



REIMBURSEMENT OF EXPENSES

Treatment of reimbursement of expenses – Pure agent



RECOVERY ON ACCOUNT OF DELAYED PAYMENT OF CONSIDERATION

Treatment of recovery in form of interest, penalty or any other form against delayed payment of consideration – Time of supply



NON-RECEIPT OF MATERIAL / CAPITAL GOODS SENT TO JOB WORKER

Treatment of material not received from job worker within one year and for capital goods within three years



PENDING CONFIRMATION OF SUPPLY BEYOND SIX MONTHS IN CASE OF SALE ON APPROVAL BASIS

Treatment in case where neither material nor confirmation is received from the recipient within six after removing of goods under sale on approval basis

EXCEPTIONAL TRANSACTIONS – ONE TIME



CROSS CHARGE

Treatment of cross charge, if any to other locations for distribution of cost



DELAYED PAYMENT TO VENDORS BEYOND 180 DAYS

Treatment of ITC availed on inward supply where payment is delayed beyond 180 days



SALE OF LAND OR BUILDING AFTER COMPLETION

Treatment for reversal of ITC

EXCEPTIONAL TRANSACTIONS – RECURRING



ADJUSTMENT OF INCOME AGAINST EXPENSES

Treatment of income which are adjusted against expenses incurred for such incomes



BOOK ADJUSTMENT FOR GOODS LOST, STOLEN & DESTROYED

Treatment of ITC availed on such goods



CAPITAL GOODS SOLD – MOTOR VEHICLE / OTHERS

Treatment of ITC availed on such capital goods or special procedure in case of sale of motor vehicles



RECEIPT OF AMOUNT FOR AGREEING TO ANY SORT OF OBLIGATION TO REFRAIN FROM ANY ACT, OR TO TOLERATE ANY ACT OR A SITUATION OR FOR DOING ANY ACT



STATUS OF COMPLIANCE IN CASE OF SUPPLY OF GOODS TO MERCHANT EXPORTER AT CONCESSIONAL RATE [Notification No. 40/2017 – Central Tax (Rate), dated 23 Oct 2017]



GIFT TO EMPLOYEE WHERE VALUE EXCEEDS INR 50K

EXCEPTIONAL TRANSACTIONS – RECURRING



RECOVERY FROM EMPLOYEES

-  NOTICE PAY RECOVERY
-  UNIFORM RECOVERY
-  CANTEEN RECOVERY
-  TRANSPORTATION RECOVERY
-  INSURANCE RECOVERY
-  RECOVERY ON ACCOUNT OF PENALTY FOR DAMAGE OF COMPANY'S PROPERTY OR CONTRAVENTION OF COMPANY'S POLICY



SALE OF SECURITIES

Treatment for reversal of ITC under Rule 42



DELAYED REPORTING OF INVOICES [VERIFICATION CHECK – DATE OF INVOICE]

Delayed reporting of invoices in subsequent month will attract interest liability on gross liability



CATEGORISATION OF CREDIT NOTE & EFFECT OF THE SAME

Credit notes needs to be categorized into GST credit notes and commercial credit notes & GST credit notes needs to be reported correctly in Form GSTR – 1 and adjusted against outward tax liability in Form GSTR – 3B within the specified time limits

EXCEPTIONAL TRANSACTIONS – RECURRING



EFFECT OF CREDIT / DEBIT NOTE RECEIVED FROM VENDOR

Many a times effect of credit or debit notes issued by vendor or adjustment by books of account will be left unnoticed



REASON OF REVERSAL & RE-CREDIT OF ITC

Any reversal of ITC should be checked for interest liability and any re-credit of ITC due to rejection of refund claim should be ensured to get credited in ledger through PMT 03



RCM LIABILITY

- Verification should be done by confirming client for inward supply of specified services or goods for applicability of RCM provisions
- While discharging liability under RCM, determining place of supply is neglected area
- Time of supply on sample basis is advisable
- Eligibility & availment of credit

RECONCILIATIONS STATEMENTS

- GSTR – 1 vs GSTR – 3B**
- GSTR – 1 vs E-WAY BILL GENERATED**
- REVENUE AS PER BOOKS vs GSTR – 1 vs GSTR – 3B**
- OUTPUT TAX GL vs OUTPUT TAX PAID in GSTR – 3B**
- INPUT TAX GL vs ITC AVAILED IN GSTR – 3B**
- RCM TAX PAID IN GSTR 3B VS RCM REPORTED BY SUPPLIER IN GSTR 2B**
- FOREIGN PAYMENT EXPENSE HEADS IN BOOKS VS RCM PAID ON IMPORT OF SERVICES**

THANK YOU !

**NILESH MAHAJAN
AND ASSOCIATES**

**CHARTERED
ACCOUNTANTS**

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CLIENT PROFILE



BRIEF UNDERSTANDING OF BUSINESS

Capturing a brief understanding of the client will help to understand the nature of activities, identify industry type, enable customisation of services, sending relevant timely updates on changes in law etc



STATE WISE REGISTRATION DETAILS

Capturing state wise registration details will enable to have a holistic view of all registration under GST which can be later validated with the functionality provided on the GSTN portal



CATEGORISATION OF CLIENT

Categorisation of client will help to decide way forward such as the kind of data required, level of verification needed, allocation of resources etc



LIST OF RELATED PERSONS

To identify the transaction with related person and its implications

CONTENT OF STATEWISE REGISTRATION



NAME OF STATE

Pre-filled list of Name of state can be provided



STATUS OF REGISTRATION

Regular / STPI / EOU, ISD, SEZ Developer / Unit, Casual Taxable Person, Non-residential person



YEAR OF REGISTRATION / CANCELLATION OF REGISTRATION, IF ANY

To keep track of all registration as well as compliance in case of closure of any registration



LOCATION DETAILS OF PRINCIPLE AND ADDITIONAL PLACE OF BUSINESS

Capturing location details to understand the activities carried out at respective locations under a particular location



LOGIN CREDENTIALS

User ID and password for each location to have all details at one place



DETAILS OF CONCERNED PERSON

Details to know the contact person of the client for further communication



DETAILS OF OUTWARD SUPPLY ENAGAGED TO CATEGORISE THE CLIENT

▣ Taxable supply ▣ Exempted supply ▣ Nil-rated supply ▣ Non-GST supply ▣ Supply liquor for human consumption ▣ Supply of petroleum products ▣ Sale of land & building after completion ▣ Sale of securities













CATEGORISATION OF CLIENT

TYPE	NATURE OF OUTWARD SUPPLY		NUMBER OF LOCATION		CATEGORISATION	INDUSTRY TYPE
	TAXABLE	EXEMPT	ONE	MORE THAN ONE		
01	✓	✗	✓	✗	EASY	
02	✓	✓	✓	✗	MODERATE	
03	✓	✗	✗	✓	HARD	
04	✓	✓	✗	✓	COMPLEX	

Additional fields to filter out the categorisation:

- Engaged in supplying Intra State supply to specified Government entities [Section 52]
- Owing any e-commerce platform used by another supplier to supply goods [Section 51]
- Sending goods for job work










LIST OF RELATED PERSONS

-  Such persons are officers or directors of one another's businesses;
-  Persons legally recognized as partners in business;
-  Such persons are employer and employee;
-  Any person directly or indirectly owns, controls, or holds twenty-five percent. or more of the outstanding voting
-  stock or shares of both of them;
-  One of them directly or indirectly controls the other;
-  A third person directly or indirectly controls both of them; (vii) together they directly or indirectly control a third
-  person; or
-  They are members of the same family;
-  Under GST, the term “related parties” also includes legal persons and persons who are associated in the business of
-  one another in that one is the sole agent or sole distributor, or sole concessionaire, of the other.
-  Further, related parties are also referred to as related persons or distinct persons under GST

PROCESS FOR ISSUANCE OF DOCUMENTS



PROCESS FOR ISSUANCE OF DOCUMENTS

-  **INVOICE FOR SUPPLY OF GOODS OR SERVICES OR BOTH**
[Verifying the correctness of the mechanism to issue invoices in pursuance to Section 31 (1) & 31 (2)]
-  **CONTINUOUS SUPPLY OF GOODS OR SERVICES OR BOTH**
[Verifying the correctness of the mechanism for issuing invoices for continuous supply in terms of Section 31 (4) & 31 (5)]
-  **SUPPLY OF SERVICES CEASES UNDER CONTRACT BEFORE COMPLETION OF SUPPLY**
[Verifying the correctness of the mechanism for issuance of invoices in terms of Section 31 (6)]
-  **SUPPLY OF GOODS ON SALE ON APPROVAL BASIS**
[Verifying the correctness of the manner to issue invoice in terms of Section 31 (7)]
-  **SUPPLY OF EXEMPTED GOODS AND/OR SERVICES**
[Verification of correctness of the mechanism for issuance of Bill of supply or Invoice cum bill of supply in terms of Section 31 (3)(c)]
-  **ADVANCES RECEIVED OR REFUNDED**
[Verification of correctness of the mechanism for issuance of Receipt Voucher and Refund Voucher in terms of Section 31(3)(d) and (e)]
-  **SELF INVOICE FOR RCM PAYMENT**
[Verification of correctness of the mechanism for issuance of Receipt Voucher and Refund Voucher in terms of Section 31(3)(f)]
-  **INVOICES UNDER SPECIAL CIRCUMTANCES**
[Consolidated invoices/ ISD invoices/ industry specific invoicing requirements etc]
-  **DEBIT / CREDIT NOTE OR SUPPLEMENTARY INVOICE**
[Mechanism to issue credit note and debit notes and their subsequent adjustment in terms of the law]

ACCOUNTS & RECORDS



LIST OF DOCUMENTS REQUIRED TO BE ISSUED

- Invoice
- Invoice cum bill of supply
- Bill of supply
- Receipt voucher
- Refund voucher
- Delivery challan
- Debit & credit note
- ISD invoice
- Self-invoicing
- Payment voucher
- Employee recovery invoices



LIST OF ACCOUNTS AND RECORDS REQUIRED TO BE MAINTAINED UNDER GST

- Inward and outward supplies of goods and services [Section 35 (1)]
- Production or manufacture of goods [Rule 56 (12)]
- Stock of goods [Rule 56 (2)]
- Input tax credit availed and output tax paid and payable [Rule 56 (4)]
- Register of documents [Rule 56 (4)]
- Other records [Rule 56 (5)]
- Records in relation to works contract [Rule 56 (14)]
- Accounts and records to be maintained by Agent [Rule 56 (11)]
- Records to be maintained by owner or operator of warehouse/godown and transporters

PLACE OF SUPPLY



THUMB RULE FOR PLACE OF SUPPLY



INTER-STATE SUPPLY

[First two digits of GSTIN of supplier if not equal to first two digits of GSTIN of recipient]



INTRA-STATE SUPPLY

[First two digits of GSTIN of supplier is equal to first two digits of GSTIN of recipient]



SUPPLY TO SEZ

[In case of supply to SEZ unit or developer, irrespective of GSTIN number of SEZ unit]

In case of mis-match of place of supply as per above then place of supply needs to be verified in terms of Section 10 to 13 of IGST Act

TIME OF SUPPLY



TIME OF SUPPLY FOR GOODS



FOR FORWARD CHARGE

[Verification of correctness of the mechanism to determine time of supply of goods in terms of Section 12 (2)]



FOR REVERSE CHARGE

[Verification of correctness of the mechanism to determine time of supply of goods in terms of Section 12 (3)]



FOR VOUCHER

[Verification of correctness of the mechanism to determine time of supply of goods in terms of Section 12 (4)]



FOR ADDITION IN VALUE BY WAY OF INTEREST / PENALTY FOR DELATED PAYMENT

[Verification of correctness of the mechanism to determine time of supply of goods in terms of Section 12 (6)]



TIME OF SUPPLY FOR SERVICES



FOR FORWARD CHARGE

[Verification of correctness of the mechanism to determine time of supply of services in terms of Section 13 (2)]



FOR REVERSE CHARGE

[Verification of correctness of the mechanism to determine time of supply of services in terms of Section 13 (3)]



FOR VOUCHER

[Verification of correctness of the mechanism to determine time of supply of services in terms of Section 13 (4)]



FOR ADDITION IN VALUE BY WAY OF INTEREST / PENALTY FOR DELATED PAYMENT

[Verification of correctness of the mechanism to determine time of supply of services in terms of Section 13 (6)]



TIME OF SUPPLY FOR GOODS OR SERVICES IN CASE OF CHANGE IN RATE OF TAX

ACCOUNTING SYSTEM FOR ITC



ELIGIBILITY OF ITC



CONDITIONS BEFORE AVAILING ITC

- Whether invoices are received on or before end of the month?
- Whether goods and/or services are received on or before end of the month?
- Whether invoices are reflecting in Form GSTR – 2B?



CONDITIONS AFTER AVAILING ITC

- Whether the company has filed GSTR - 1 & GSTR - 3b return
- Whether the company has confirmed with supplier that GST amount is deposited with government?



SYSTEM TO IDENTIFY COMMON INWARD SUPPLY



COMMON INWARD SERVICES ATTRIBUTABLE TO MORE THAN ONE LOCATION [ISD]

[Mechanism in place to identify the vendor or services which are attributable to more than one location or to particular locations]



COMMON INWARD SUPPLY USED FOR BOTH TAXABLE AND EXEMPT SUPPLY

[Mechanism in place to identify inward supply of goods and / or services based on their use for type of outward supply i.e. taxable and exempt]



CATEGORISE INWARD SUPPLY INTO INPUT, CAPITAL GOODS OR INPUT SERVICES



GOODS INTO INPUTS AND CAPITAL GOODS

[Categorisation of goods into inputs and capital goods is required as both have separate implications under GST]




INPUT SERVICES

[Identification of input services from inward supply is relatively easy as classification of the same is start with HSN 99 FORM GSTR - 9]

ACCOUNTING SYSTEM FOR ITC

SYSTEM TO IDENTIFY ELIGIBLE AND INELIGIBLE CREDIT

 **INELIGIBLE CREDIT**
[Mapping of inward supply material wise or vendor wise to identify the ineligible inward supply. Further, credit should be first availed in books and then transferred to P&L account by way of JV at the end of the month]

POLICY FOR AVAILING THE ITC ON INWARD SUPPLY RECEIVED IN LOTS ITC on goods received in lots available only after receipt of last lot

DATE OF INVOICE AND BOOKING FY – OUTWARD & INWARD Date of invoices and booking year should be identifiable

DATE OF BOOKING & DATE OF PAYMENT OF INWARD SUPPLY COVERED UNDER RCM Date of booking and date of payment of liability on inward supply covered under RCM should be identifiable

OTHER SIGNIFICANT POLICIES



TRACKING MOVEMENT OF GOODS

System in places to track movement of goods through appropriate documents under various scenarios such as job work, sale on approval, bill to ship to transactions, movement not involving supply etc.



E-WAY BILL GENERATION

Identification and examination of client's policies to generate E way bill, maintenance of its records and reconciliation with returns filed under GST



DETERMINATION OF RATE OF TAX FOR MIXED & COMPOSITE SUPPLY

Understanding the treatment given in case of any mixed or composite supplies undertaken by the client