

R C Jain & Associates LLP

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Goods and Service Tax Finalisation



CA Final Course

- Paper-1: Financial Reporting
- Paper-2: Strategic Financial Management
- Paper-3: Advanced Auditing & Professional Ethics
- Paper-4: Corporate & Economic Laws
- Paper-5: Strategic Cost Management & Performance Evaluation
- Paper-6: Risk Management, Financial Services & Capital Markets, International Taxation, Economic Laws, GFRS, Multidisciplinary Case Study
- Paper-7: Direct Tax Laws & International Taxation
- Paper-8: Indirect Tax Laws

Why GST in the month of Tax Audit?

- True and Fair View of Books of Accounts
- No adjustment possible post September
- Additional Knowledge to each one
- To avoid undue litigations and scrutiny

Introduction to GST :

- Tax on Goods and Service
- Goods defined as
 - i. Movable Property

Excludes

- a. Money
- b. Security

Includes

- a. Actionable claims
- b. Growing Crops etc

Introduction to GST :

- Service means anything other than goods, money and security
- Rates are right now in 6 slabs namely 0, 3, 5, 12, 18, 28 plus cess on few products

GST Compliance - Return

Return	For	Periodicity
GSTR1	Outward supplier	10 th of next month
GSTR2	Inward supplier	15 th of next month
GSTR3	Monthly Return	20 th of next month
GSTR4	Composition dealer	18 th of the next month following the end of quarter
GSTR6	Input Service Distributor	20 th of next month
GSTR9	Annual Return	31 st December of Next Financial Year

Profit and Loss Account

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018				
Particulars		Note	For the year ended 31st March 2018	For the year ended 31st March 2017
			Rs.	Rs.
I	Revenue from operations	15	74,042,071	48,761,337
II.	Other Income	16	18,930,572	638,323
III.	Total Revenue (I + II)		92,972,643	49,399,660
IV.	Expenses:			
	Cost of Purchases		-	-
	Manufacturing Expenses		-	-
	(Increase) / Decrease in Finished Goods		-	-
	Employee benefits expense	17	15,104,257	48,522,591
	Other Expenses	18	24,656,488	33,673,570
	Finance costs	19	6,901,753	8,672,134
	Depreciation and amortization expense		9,299,975	10,748,820
	Preliminary / Preoperative Expenses W / off		-	-
	Total expenses		55,962,473	101,617,114

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Sales Account

- i. Exempted Outward Supplies:
 - a. Goods: check with rate schedule whether goods are exempted. See whether goods are exempted before P.Y starts or exempted within the year.
 - b. Services: There are a number of services that are exempted by the act or through notifications. The same needs to be checked.

Sales Account

- ii. Taxable outward supplies:
 - a. Goods: Check rates of goods and refer notification for changes of rates if any.
 - b. Services: Rates of services are to be checked along with place of supply & Time of supply

To Determine Taxability

Time of Supply for goods:

Date of Issue of Invoice

OR

Removal of goods / Deliver to recipient

OR

Date on which supplier receives payment



**Whichever is
earlier**

To Determine Taxability

Time of Supply for Service :

If Invoice is issued :

Date of Invoice

or

Date of receipt of payment



If Invoice is not issued :

Date of provision of services

or

Date of receipt of payment



Note: If no date is ascertainable from above then date of entry in books of account of recipient

To Determine Taxability

Time of Supply of goods/Service at the time of change in tax Rate

(a) If goods/Service provided before change

Before	After	Time of Supply
	Invoice Payment	Date of receipt of payment or; Date of Invoice
		Whichever is earlier
Invoice	Payment	Date of Issue of Invoice
Payment	Invoice	Date of receipt of payment

To Determine Taxability

(b) If goods/Service provided after change

Before	After	Time of Supply
Invoice Payment		Date of receipt of payment or; Date of Invoice } Whichever is earlier
Invoice	Payment	Date of receipt of payment
Payment	Invoice	Date of Issue of Invoice

To Determine Taxability

Place of Supply of Goods:

Situation	Place of Supply
When supply involves movement of goods	Place from where the goods terminates for delivery
Delivered to the recipient or any other person on the direction of the third person	Principal place of business of such person
When supply does not involve movement of goods	Location at the time of delivery
Assembled or installed at site	Place of installation or assembly
Supplied on board a conveyance	Location at which the goods are taken on board
Imported	Location of Importer
Exported	Location outside India

To Determine Taxability

Place of Supply of Services:

Situation	Place of Supply
In relation to an immovable property	Location of such property
Supply of restaurant, personal grooming, health service	Location where services are actually performed
In case of an event	Place where the event is held
Services on board	Location of the first scheduled point of departure of that conveyance for the journey

To Determine Taxability

Situation	Registered Person (Recipient)	Not registered person
In relation to training and performance appraisal	Location of person	Location where services are actually performed
Services ancillary to organization of events	Location of person	Location where event is actually held
Transportation of goods, including by mail or courier	Location of person	Location at which goods are handed over for transportation
Passenger transportation service	Location of person	Place where passenger embarks for continuous journey
Insurance service	Location of person	Location of recipient on record of supplier

Value Of Supply

Transaction Value is-

Price paid or payable for supply where:

Supplier and recipient are
not related

Price is sole
consideration

It includes:

- Tax, duties, cesses, fees and charges levied under any law OTHER THAN SGST, UGST and GST (Compensation to States) Act
- Amount which supplier is liable to pay but has been paid by the recipient on his behalf
- Incidental expenses, including commission and packaging, charged by supplier to recipient
- Amount charged by the supplier for supply both at the time of, or before delivery of goods or services or both

Value Of Supply

It includes:

- Interest, late fee or penalty for delayed payment of consideration

It does not include discount given:

Before or at the time
of supply
If discount has been
recorded in invoice
issued

After the supply

- Such discount has been established by way of an agreement before or at the time of supply
- ITC as is attributable to the discount on the basis of document issued by supplier has been reversed by the recipient

Other Income

- Reviewing of transaction reflected in “Other Income” ledger to confirm its GST applicablility.
- For example:- Penalty, Interest charged or damages recovered etc.

Purchases & ITC

- Reconcile your Books OF Accounts with GSTR-2A.
- Kindly obtain all bills of expenses pertaining to FY 17-18
- Even exempt purchases like freight, loading unloading charges and non GST purchases like petroleum , electricity, water expenses to be reported.
- Reconcile ITC taken with data available in GSTR-2A.
- ITC closing balance as on 31st March 2018 should match with ITC balance reflected on GST portal.
- Refer “negative list” given u/s 17(5) of CGST Act, 2017. (e.g. Personal Expenses, Food & Beverages, Rent-a-cab, Health & Life Insurance etc.)

RCM

- Reconcile value reported in GSTR-3B with expense ledger to determine RCM liability.
- Liability under RCM if total inward supply from unregistered person exceeds Rs. 5,000/- per day. (up to 12.10.2017)
- If RCM liability for FY 2017-18 is unpaid, it is advisable to client to pay before 30th Sep, 2018 so as to availed & utilized the credit in the return period of September 2018 (i.e. on or before 20/10/2018)

Balance Sheet

Particulars		Note	As at 31st March 2018	As at 31st March 2017
			Rs.	Rs.
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	15,000,000	15,000,000
	(b) Reserves and surplus	2	75,869,773	50,918,981
	(c) Money received against share warrants		-	-
2	Share application money pending allotment		-	-
3	Non-current liabilities			
	(a) Long-term borrowings	3	17,936,838	46,069,521
	(b) Deferred tax liabilities (Net)		-	-
	(c) Other Long term liabilities		-	-
	(d) Long-term provisions		-	-
4	Current liabilities			
	(a) Short-term borrowings	4	47,121,681	80,407,265
	(b) Trade payables		-	-
	(c) Other current liabilities	5	8,840,488	6,785,470
	(d) Short-term provisions	6	3,250,649	-
	TOTAL		168,019,428	199,181,237

Balance Sheet

II	ASSETS			
1	Non-current assets			
(a)	Fixed assets			
(i)	Tangible assets	7	74,718,060	84,245,549
(ii)	Intangible assets		-	-
(iii)	Capital work-in-progress		-	-
(iv)	Intangible assets under development		-	-
(b)	Non-current investments	8	60,719,295	60,719,295
(c)	Deferred tax assets (net)		3,702,629	15,762,007
(d)	Long-term loans and advances	9	896,856	1,420,990
(e)	Other non-current assets	10	21,465,400	25,908,423
2	Current assets			
(a)	Current investments		-	-
(b)	Inventories		-	-
(c)	Trade receivables	11	-	9,513,291
(d)	Cash and cash equivalents	12	206,869	33,799
(e)	Short-term loans and advances	13	6,295,000	1,236,700
(f)	Other current assets	14	15,319	346,183
	TOTAL		168,019,428	199,181,237

Capital Goods

- Capital Goods – capitalized – used in or in course of furtherance of business
- Addition and deletion both transactions are important from GST point of view
- Addition – ITC shall be claimed provided the following:
 - i. Not covered in negative list
 - ii. Depreciation on amount excluding GST claimed
 - iii. Not used exclusively for Exempt Supply
- Proportionate reduction-
 - a. for business or other than business purpose
 - b. for taxable or exempt supply

Capital Goods

- Negative List for Capital Goods:
 - a. Motor Vehicle with conditions
 - b. Works Contract Service for immovable property except for plant and machinery
 - c. Construction of immovable property except for plant and machinery on own account
- Deletion- If ITC is taken during purchase, GST payable on higher
 - a. Capital Asset Value - 5% per quarter for each quarter used
 - b. Transaction Value

Investments

- Land, Securities etc
- The sale of land and securities not taxable
- ITC to be reversed for
 - i. Direct expense related to Non Taxable Transactions
 - ii. For Common Expenses proportionate to turnover of taxable and exempt supply

Current Assets

- Current Assets 3 parts are important
 - i. Stock
 - ii. Advance to creditors
 - iii. Sundry Debtors
- Stock
 - i. As on 30th June,2017, the credit of Stock to be entered in the books
- Advance to creditors
 - i. ITC cannot be claimed on advances paid to creditors.

Current Assets

- Sundry Debtors
 - i. Reversal of ITC in case payment is not to be done to us within 6 months from the bill (Debtors Responsibility)
 - ii. Credit balance of Debtors is to be checked for advances

Liabilities Advance from Customer

i. Liabilities

Payments to be made to creditors for bills raised within 6 months from date of bill. If Payment not made, ITC to be reversed. Can be claimed after making payment to Creditors.

Also, ITC on bills not considered for computing liability in financial year to be considered before 30th September post which the same ITC cannot be claimed.

Creditors

ii. Advances from customer

Goods:

- Upto 12th October- All Taxpayers
- From 13th To 15th October- Tax payer having turnover more than 1.5Crore

Services: GST to be paid on advances received for service to be provided till 31st March 2018 since no exemption is provided.

Transitional provision – Tran 1

- Check if excess VAT credit & Service Tax Credit as on 30th June 2017 is brought forward to GST regime by filing Transition forms
- Excise Credit of Excisable Stock of Goods as on 30th June 2017 to be brought forward to GST. These Goods to be sold on or before 30th December 2017.
- In case of capital goods whose part credit was availed in previous law period and part credit is to be availed in GST has been declared in Tran-1

Transitional provision – Tran 2

- Deemed Credit: Persons who do not have excise invoices, will be eligible to take credit in the following manner:
 - a) For goods taxable @ 18% or above – Credit shall be allowed at the rate of 60% of CGST payable on that goods – so if the rate is 18% then credit will be available @ 4% (60% of 9% CGST)
 - b) For goods other than above – Credit shall be allowed at 40% of CGST payable on that goods – so if the rate is 12% then credit will be available @ 2.4% (40% of 6% CGST)
- To be filed month wise & details of goods sold from stock held on 30th June 2017 to be disclosed based on which credit is availed. Incase goods are lying unsold, credit will not be available. Goods sold post 31st December 2017 will not be eligible for credit.

Other Transitional Provision

- If Goods are sold between 1st January 2017 to 30th June 2017 and if returned after 31st December will be considered as supply in the hands of original recipient(person who is returning goods)

Other Provisions

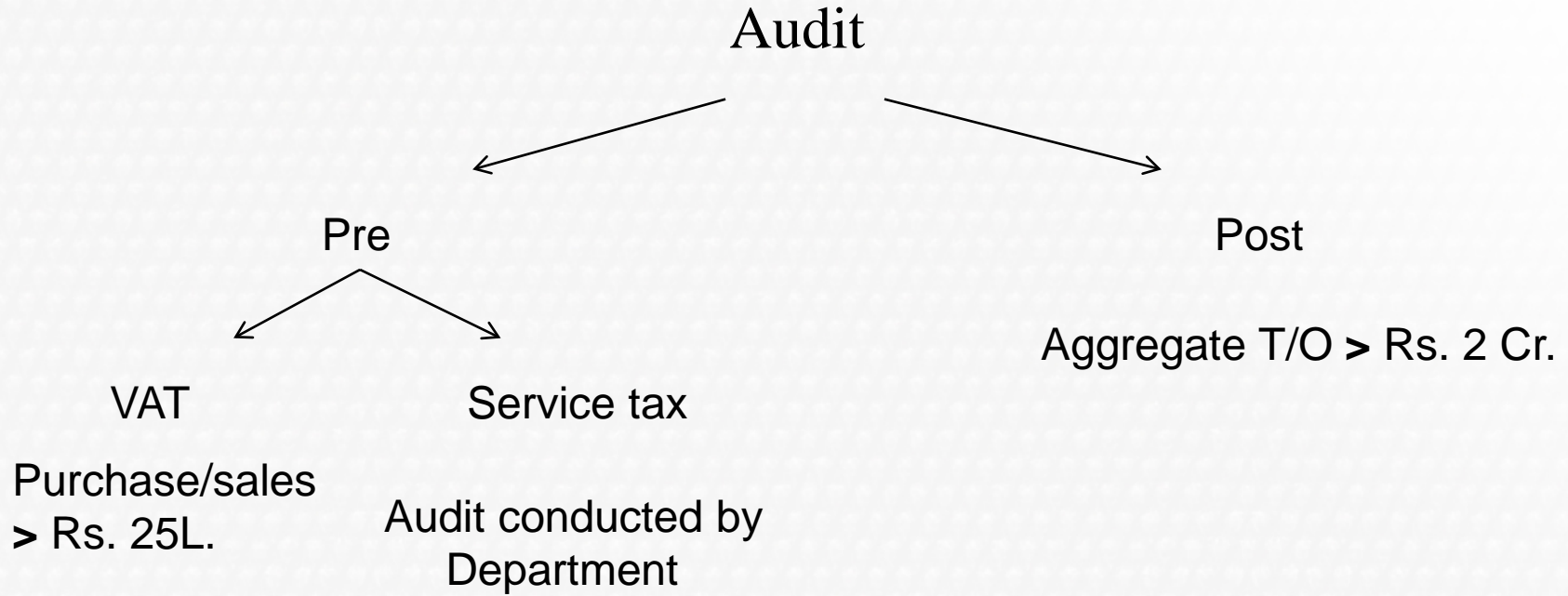
Interest : 18% per annum

Interest on wrong ITC : 24% per annum

Late fees : Rs. 50/- per day of delay per return (in case of normal return).

Rs. 20/- per day of delay per return (in case of NIL return)

Audit



Revision

- No revision under GST for returns filed.
- Amendment is possible for earlier bills entered.

Branches

- Under VAT, Branch transfer resulted in reversal of VAT credit in excess of 4% of VAT paid
- Under GST, tax paid on stock transfer will be fully available as input tax credit to the recipient state.
- Value of Branch Transfer will be Open Market Value.

Input Service Distributor

- Company registered as ISD in multiple state can pass on the credit to HO by filing GSTR-6.
- Invoice is raised in the name of ISD with all necessary information required.
- ISD should further raise Invoice on HO for passing on such credit.

Electronic Cash & Credit Ledger

- Reconcile Electronic Cash ledger with the amount paid against liability.
- Reconcile Electronic Credit ledger with the credit claimed in GSTR-3B and bills entered in books of company.

Open House Discussions

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*Thank
you*

