

## Financial Year end GST Checkpoints

### ***Introduction***

Another year goes by with various changes in the GST law, multiple judiciary decisions which impact the interpretation of law and the manner of filing GST returns. A taxpayer now is expected to ensure his compliance well in advance to avoid possible departmental interventions which could ultimately lead to demand of taxes including interest and penalties through SCN including harassment.

In this article, we have highlighted 70 GST checkpoints that one may consider for the financial year end, i.e. March 2024 as a safeguard.

### ***Compliances on the GST portal***

1. File application for / renewal of LUT for FY 2024-25 - applicable for supplies to SEZ and export transactions.
2. Any person who wishes to opt for composition scheme for financial year 2024-25 should file form CMP-02 on the common portal on or before 31st March 2024
3. A registered person who has opted for composition scheme for FY 23-24 should file FORM GSTR-4 on or before 30th April 2024
4. Time limits to apply for QRMP scheme to opt-in or opt-out by 30<sup>th</sup> April 2024
5. Filing Annexure V & VI to opt for FCM/RCM for GTA supplies for FY 2024-25 by 31<sup>st</sup> March 2024.

### ***Reconciliations for FY 2023-24***

6. Outward supplies as per books must be matched with GST returns (Books vs GSTR-1 Vs GSTR-3B). This may help indicate if any amendments are required to be made to GST returns. *[Turnover + Taxes incl. RCM]*
7. Rate wise reconciliations – Books Vs GSTR 1 (incl. tax ledgers vs 3B for RCM).
8. Reconciliation of balance of credit and cash as per GST portal with balance appearing in books. Variance indicates monthly entry error, or possible missed out/excess claimed ITC.
9. GSTR 2B Vs ITC Register (books) - Invoice-level tracking of eligible and ineligible ITC in books of accounts and reconciliation to ITC disclosures in GSTR 3B for the FY. Spillover transactions to be specifically tracked.
10. Identification of pending ITC (as per books & GSTR 2B) – Optimize ITC claim, follow up with vendors where required for updating/amending their GSTR 1.
11. Verification of credits temporarily reversed, and action taken, i.e. claimed, or considered as permanently ineligible.

12. Verification whether RCM paid matches to RCM ITC claimed? (other than ineligible ITC)
13. HSN consolidated thru GSTR 1 Vs Books value  $[T/o + Taxes]$
14. Ensure that Electronic Credit Reversal & Recredit Statement has been updated which appropriate data.
15. E-way bill reconciliation with GSTR 1. In case EWB not required against supply, document reasons for the same.
16. Reconciliation of E-Invoices issued during the year viz a viz tax invoices generated. E-invoices required even for GST credit notes & GST debit notes.
17. Books inventory Vs physical inventory - assess if ITC reversal to be required or may indicate accounting lapse + missed out ITC.
18. Obtain confirmation from Customers that ITC has been reversed against CNs raised. Alternatively, can be part of tax clauses in agreement/MoU etc.

Most of the above checks would also prove useful while preparing Annual returns in Form GSTR 9 & 9C due in December 2024 for FY 2023-24.

***Outward (liability)***

19. Verify if any GST DN / CN should be issued for any value short/excess charged or any sales returns by the customer. Time limit applicable only for CN (latest by 31<sup>st</sup> October). Verify agreement clauses on discounts to be provided and requirement to issue CN.
20. Verify compliance of section 18(6) for transfers/sale of Plant & Machinery (P&M). Consider valuation check in case of related party transactions.
21. Verify supply of old vehicles including possibility of payment of GST only on profit margin in terms of noti.no.8/2018-CT.
22. Review of tax utilization entries passed in books of accounts vis a vis electronic liability ledger.
23. Reviewing the debtors ageing report - Tax implication on customers, i.e. their ITC would not be eligible until payment + MSME non-compliance (useful for realization).
24. Review of outstanding amounts towards export of services and in case of goods where refund claims are being made.
25. Amendments to GSTR 1 – Changing the outward supplies from B2C to B2B or the type of tax – Passing on the credit to the customers before time limit. (can issue standard instruction - changes not accepted beyond FY end)
26. Update details correctly where recipient/ECO are liable to pay the tax. Correct disclosures are key to avoid disputes with department.

27. Ensure tax liability against receipt of advances (services) and adjustment thereof to derive at unadjusted advances [*recently clarified refund voucher in GSTR-1 Adv Adj.*]
28. Cross charge to distinct person and related parties for supply of common services
29. Verify CGST/SGST paid instead of IGST and vice-versa. Understand if sec 77 (CGST Act) / sec 19 (IGST Act) would be applicable (no interest implication).
30. Verify Income from other sources – if any liable/not liable under GST. Tax position to be clear [Ex: employee recoveries not payable recently clarified; Incentive Vs Discounts; GST liable on Interest charged for delayed receipts]
31. Verify expenses credited in books of accounts which may indicate income accounted as part of expenditure. Verify and ensure applicable GST on the same.
32. Ensure GSTR 1 matches GSTR 3B. In case of mismatch ensure reply to DRC-01B notice is done within 7 days. Periodic check of portal for notices necessary.
33. Exports proceeds e-BRC receipt within 9 months can be verified (linked to FEMA). If not eligibility of 'zero-rated supply' questionable.
34. Standard terms in contracts to avoid future disputes:
  - ITC w.r.t Credit note (if any) issued would be considered as reversed.
  - We are in compliance with GST laws.

***Inward (ITC)***

35. Timing of availing credit - receipt of goods/service+ Sec 16, RCM credits, credit on advances ineligible etc.
36. Rule 37 – Check for ITC reversal required on account of non-payment within 180 days or reclaim of any ITC in respect of supplies for which payment has been made. [*Recently clarified ITC reversal in table 4B*]
37. Rule 37A – Check (in GSTR 2A) whether vendors have filed their GSTR 3B. This will help satisfy S16(2)(c) of the CGST Act. Where not filed, ITC must be temporarily reversed and can be reclaimed once GSTR 3B is filed by the vendor (irrespective of time limit)
38. Expense + ITC not accounted – identified through GSTR 2B.
39. Check if any reversal required against purchased goods rejected and returned or other credits to the expense ledgers (ensure the impact of the same has been considered in GST returns). Verify against vendor CN reflecting in the GSTR 2B.
40. Ensure vendor CNs reflecting in GSTR 2B are correct, and ITC is reversed against the same. If not communicate with taxpayer to amend/rectify such details in GST returns.
41. Accounting of credit where details are not reflected in GSTR 2B – Deferred input account – re-evaluate before October of coming year and consider charge to vendor and passing of as expenses.

42. Rule 42 – Impact of annualized ITC reversal in case of exempted as well as taxable supplies to be considered (re-computation) [Ensure ‘exempt supply’ is correctly taken in line with S17(3), R43 explanation and R45(4) explanation]
43. Rule 43 computation for capital goods as per formula. If performed like R42 impact to be analyzed.
44. To verify the correctness of accounting treatment of capital assets prior to closure of books, to optimize input tax credits. [Building Vs P&M; Motor Vehicles eligibility; civil works w.r.t P&M Vs other civil works – capex?]
45. To verify whether ITC has been reversed on entries passed due to writing off inventories, assets, theft, samples, destruction, obsolete, etc.
46. Verify compliance with ISD provisions – recent Budget Feb ‘24 indicates mandatory inclusion is imminent. Modification of procurement process, vendor communication, readiness to file GSTR 6 and distribute ITC in compliance with GST laws to be studied.
47. Where ISD is not applicable, whether cross charge can be complied to ensure procedural lapse only can be examined. [Refer Circular 199/2023]
48. Credit - CGST/SGST availed as IGST or vice versa, must be rectified within the time limit.
49. Credit availed in a different GSTIN of the same assessee (PAN), to be rectified.
50. Re-verify ITC masters and conditions used for classification of eligible ITC. Ensure not incorrectly classified under ineligible ITC.
51. Ensure GSTR 2B is higher than ITC claimed in GSTR 3B. In case of mismatch ensure reply to DRC-01C notice is done within 7 days of issue. Regularly go through the portal to identify such notices.
52. Import of goods-BOE Vs ICEGATE Vs GSTR 2B – Check periodically to ensure no missed out.
53. Ensure E-invoice is available for procurements. If not, declaration from vendor that E-invoicing provisions are not applicable/exempt to be maintained.
54. For procurements from unregistered persons, suggest obtaining a declaration from vendor that he is below the threshold limit/exempt from GST registration. (with PAN)

### **RCM**

55. Accounting of entries passed for transactions covered under reverse charge. Some systems do not allow compound entry in direct expenses (Ex: Freight RCM).
56. RCM liability on foreign associated enterprises based on provision entry in books.
57. Analyze GST provisions by verifying expenses:
  - Freight & transportation Payments (even if under 5%, ITC eligible)
  - Residential dwelling by commercial entities

- Advocate Payments - Legal Expenses
- Security services (not applicable when provider is body corporate)
- Renting of motor vehicle from non-body corporates (refer sl 15 in GST Circular 177/09/2022 for clarity). Analyse the difference between renting of vehicle and passenger transportation services. Liability arises only in case of renting.
- Import of services (with or without consideration) (useful sources - Form 27Q & Form 15CA/CB)
- Sponsorship/Advertisement & marketing
- Fees & licences to various Governments (by CG/SG/LA only, various exemptions available in NN 12/2017-CTR)

58. Analyze GST on Section 9(4) expenses – Real estate sector only.

**Note** – GST returns for a FY can be amended with above corrections/deletions or modification latest by 30<sup>th</sup> November 2024, i.e. October 2024 GST returns.

### **Others**

59. Filing of application for refund claims. Time limit to be considered.
60. Stay updated on the GST portal for notices/dept. communications. Ignoring the same could amount to gross consequences.
61. Ensure mobile no. & email ID on GST portal is functional and valid to avoid miscommunications.
62. Ensure Aadhar authentication is completed on the GST portal.
63. Track status of goods sent on job work or goods sent on approval whether all the goods have been received back within the due time period. (1+1 yr inputs/ 3+2 years CG). If not received in time, the invoice must be raised appropriately.
64. Verify year-end accrual/provision entries for transactions with related parties and evaluate the GST implications. (import of service possibility)
65. HSN 6-digit level – mandatory requirement from 01.04.2021. Ensure correctness and display in tax invoice. (T/o > Rs. 5 cr)
66. Obtaining GST registration in other States where supplies are made. Compliance with concept of fixed establishment, supply, etc.
67. Interest to be paid on utilization of ITC only, that too at 18% p.a.
68. Tax paid under protest (pre-notice/dept. visit); ITC reversed under protest – ensure documentation of letter of protest.
69. Documentation of notices, letter cover, replies/responses (mail + RPAD) in a separate correspondence file.

70. Maintain data of inward, outward, RCM, EWB, documents (tax invoice, e-inv, vouchers, etc.) for 6 years from annual return due date of FY (ex: for FY 23-24 6 years from 31-12-2024).

### ***Conclusion***

The burden of proof is directly proportional to GST compliance now. Better compliance is, the easier it is to provide information, avoid/dispute departmental notices and ensure the taxpayer can focus on his business. Additionally, taxpayers are expected to ensure their vendor compliances alongside their own. This would require the implementation of strong internal controls, implementation of technology, introduction of an indirect tax SOP and regular training and update to the GST compliance team.

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