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YEAR END GST COMPLIANCES

HELPING YOU THRIVE IN A CHANGING WORLD

KEY GST RECONCILIATIONS

At the end of the FY, the company must undertake the preparation of these reconciliations to verify that the accounts are align with the GST filings.

S. No	RECONCILIATIONS	PURPOSE
1	GSTR-3B vs. Books of Accounts	Identifying discrepancies/ ensures accuracy of records
2	GSTR-2B vs. GSTR-3B	Monthly matching is a Legal mandate
3	E-way Bill vs GSTR-1 (Sales)	Help catch clandestine movement.
4	E-way Bill vs Books (Purchase)	E-way bill is Proof of delivery. ITC cannot be challenged by department.
5	Import IGST vs GSTR-2B	Ensure that you take ITC only if paid in your account.
6	E-invoice Reconciliation for Sales	T > 5 cr.: E-invoice is mandate

KEY GST RECONCILIATIONS

Sr. No	RECONCILIATIONS	PURPOSE
7	E-invoice Reconciliation for Purchase	No ITC – if you don't have E-invoice
8	26AS/AIS-TIS vs Books vs GSTR-1	Reconciling Income with Government Records: Excess TDS represents excess income.
9	TDS and TCS Reconciliation of Sales with Books of Accounts	Excess TDS/ TCS means excess income
10	GSTR-1 vs. Sales Register	Identifying discrepancies in sales
11	Books vs Electronic Cash Ledger	Cash balance needs to be reconciled from books.
12	Books vs Electronic Credit Ledger	Credit balance needs to be reconciled from books.
13	Table 5O of GSTR-9C vs Books of Accounts	To Reconcile Sales

KEY CHECKS FOR THE ITC

Ineligible ITC in GSTR-2B

- GSTR-2B provides bifurcation between eligible and ineligible ITC for each month.
- Need to ensure that proper reasons are recorded with sufficient documentary proof for any ITC claimed but marked as ineligible in GSTR-2B.

ITC not reflecting in GSTR -2B needs to be reversed

- Any credit if claimed earlier but is not reflecting in GSTR-2B at the year end, same needs to be reversed. However, businesses may claim the same again till November 2024.

No ITC on expenses booked on provisional basis

- On the basis of accrual concept, most of the companies book provisional entries for any expenses pertaining to a FY. ITC shall not be claimed in GSTR-3B for the same.

Reversal of ITC in other circumstances

- Incase any purchased goods have been rejected or returned or any downward revision in service contract has taken place or any service contract has been cancelled, the ITC pertaining to the same has to be reversed.
- Please check the cut-off procedures as on 31 March, 2024

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KEY CHECKS FOR THE ITC

Reversal of ITC under Rule 42

- Rule 42 of CGST Rules, 2017 requires to do the re-computation of reversal to be made under the said rule in the month not later than the month of September following the end of the FY to which such credit relates.
- In case there is an excess reversal to be done, the interest liability is leviable on the said excess from 1st April 2024 till the date of payment. Hence, to avoid interest liability, the businesses shall do the computation and pay the excess if any in March GSTR-3B only.
- Similarly for Rule 43 also.

Reversal of ITC in case of non-payment of Invoice

- As per GST provisions, if recipient of supply of goods or services or both does not make the full payment of invoice within 180 days of invoice, then the ITC taken on invoice is to be reversed along with interest.
- However, whenever the payment is made, the receiver can take the ITC again.
- Therefore the ageing analysis of the creditors is to be done. All old invoices issued on or before 1st October, 2023, should be paid before 31st March 2024, if ITC is not reversed.

ITC blocked across locations

- Businesses may be facing issues with utilizing ITC across their various registrations. To address this, it's recommended to analyze their transactions through the mechanism of ISD or cross-charging, especially at the year-end.
- This analysis can help identify and implement solutions to unblock the blocked ITC.

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KEY CHECKS: JOB WORKER

Time limit to receive back goods

- Businesses must prepare a reconciliation of goods/capital goods sent to job worker before 1st April 2023 and not yet received back.
- If inputs/capital goods are not received back within 1/ 3 years of being sent, the output liability needs to be discharged along with interest.
- Need to ensure that records of principal and job worker are up to date till March 2024.

Key checks: inventory and fixed assets

- At the time of valuation of closing stock as on 31st March, the ITC taken on raw material, consumables, semi finished goods is to be calculated. In Excise, there was a concept of making provision for the tax payable on the finished goods as on 31st March, no such concept exist in the GST regime .
- Reconciliation of inventory reflected in Books with physical inventory and check any reversals to be made on account of any loss or theft or damage, etc.
- Reconciliation of Fixed assets reflected in Books with physical verification report. Check any reversals to be made on account of any loss or theft or damage, etc.

OTHER KEY CHECKS

Updation of key masters

- Key masters like HSN, vendor details, GSTINs, product descriptions, tax rates etc. need to be updated for both suppliers and customers.

Surrender of registrations

- Recheck if there is any registration that needs to be surrendered on account of no business activity or non-commencement of business activity within the 6 months from date of registration.

Refund Application Check

- Check the time frame for filing any pending refund applications, as section 54 clearly states that no application form shall be filed after a period of 2 years from the relevant date.

Payment in case of Export of Service

- As per Rule 96A: Payment for Export of service [In convertible foreign exchange or in Indian rupees, wherever permitted by RBI] is required to be received within 15th days, after expiry of one year from the date of issue of the invoice for export.
- For example if an invoice for export of service was issued on 1st April' 2023, then the amount should be received by 15th April' 2024.
- In case of non-compliance, the GST liability shall be discharged along with interest from the date of invoice. Thus, identify if there is any such transaction and take the necessary action.

RELATED PARTY TRANSACTIONS

Related person under GST

It is advised to scrutinize Taxable value declared for discharging GST liability on transactions entered with Related Party during the year to ensure compliance to the above mentioned rule by 31st Mar, 2024 and to avoid any ITC loss.

As per Rule 28 of CGST Rules, 2017 The value of the supply of goods or services or both between distinct persons as specified in sub-section (4) and (5) of section 25 or where the supplier and recipient are related, other than where the supply is made through an agent, shall-

The OMV of such supply. OMV will be the amount which is fairly available in open market.

- If the OMV is not available, it will be the value of supply of goods or services of like, kind and quantity. Here, the taxable person can use as reference similar goods or services or both for determining the value of supply.
- If the value is not determinable in the above two cases it shall be determined by either by the Cost Method or Residual Method. → If the recipient of goods or services (or both) is eligible for full ITC, the value declared in the invoice shall be deemed to be the OMV of goods or service.

ISD FOR MULTI-LOCATIONAL OFFICES

- The amendment has been made in GST law to make the ISD mechanism **mandatory prospectively** for the distribution of ITC of common input services procured from third parties.

- Multi-location businesses must develop SOPs and ensure accurate accounting and allocation of shared resources. This adjustment will significantly affect multi-location businesses, and we advise implementing consistent SOPs regarding ISD starting from April 1, 2024, to uphold consistency in financial records.

ACTION POINTS FOR THE NEW FY 2024-25

Letter of Undertaking

- All the exporters who wants to export without payment of GST, shall be required to furnish LUT online for the FY 2024-25. Facility for same is available on GSTN portal under Service Tab.

New series of statutory documents

- Taxpayers have to start new series of their statutory documents such as tax invoice, credit/debit notes, payment vouchers, receipt vouchers, delivery challan, bill of supply, etc.

Vendor Management

- Few vendors may opt for QRMP Scheme or composition scheme for the new FY. With the introduction of restriction of ITC to eligible ITC amount reflecting in GSTR-2B, the said change by the vendor may impact the working capital of the company. Please take the confirmation from vendors for any change in registration.

E-invoicing

- E-invoicing shall be applicable for taxpayers having aggregate turnover exceeding INR 5 Crore in any preceding FY, with effect from 1st Aug, 2023. In case any ITC is taken based on normal invoice from a vendor to whom e-invoice is applicable, the same will be disallowed by the department. Thus, confirmation should be taken from all the vendors again who were not issuing e-invoices in FY 2023-24.