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Things to consider for smooth GST Compliance



Rohit Kumar Singh

on 12 April 2019

Important Things to consider by businesses and professionals for smooth GST Compliance

Since the inception of GST on 1st July 2017, there has been constant tweaking in law and provisions of GST, which has kept the businesses, professionals, tax practitioners and even Government Authorities on their toes. It is important for all of us to come to terms of the changes and understand few common provisions of GST to effectively manage the change.

We have summarised some very important pointers which may be used as a checklist for day to day GST management. Our idea is to spread awareness to eliminate and reduce chances of errors and omission in GST Regime.

Remember, no mistake or omission is excusable in GST Regime. Same shall get coupled with harsher realities but it may be too late to take any course correction!

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Summary of Key Provisions and common Issues under GST -

Sl. No	Heading	Check if	Comments
1	Valuation	Check if valuation is carried as per GST Act and Rules. Refer Section 15 of CGST Act 2017 along with Valuation Rules	Special emphasis to be put on any late delivery charges, interest or penalty recovered post issuance of invoice Also check for Sale of any second hand car or sale of asset (Pay GST on such sale) – Check for Valuation and Rate of GST
2	Tax Invoice - Outward Supplies	Check if Tax invoices do conform to provisions of GST Laws. Refer to Sec 31 of CGST Act along with Rule 46 of the CGST Rules 2017	Check if tax invoice has all the contents prescribed as per GST Laws. Specially check – 1. Length of the invoice – Max 16 characters 2. RCM Declaration on Invoice 3. Place of Supply – Mandatory for Inter-State Supplies 4. HSN/SAC – HSN Mandatory for outward supply T/O exceeding Rs 1.5 Cr 5. Rate of GST coinciding with HSN/SAC Rate
3	Tax Invoice – Inter State Stock Transfers	Check if Tax invoices do conform to provisions of GST Laws. Refer Sec 31 of CGST Act along with Rule 46 of the CGST Rules 2017	Check if tax invoice has all contents prescribed as per GST Law Bill of supply or mere delivery challan won't suffice in case of Inter-State branch transfers between same PAN having different GSTINs.
4	Tax Invoice – Exports or supply to SEZ	Check if Tax invoices do conform to provisions of GST Laws. Refer Sec 31 of CGST Act along with Rule 46 of the CGST Rules 2017	Check if tax invoice has all contents prescribed as per GST Law along with below declaration - “SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX” or “SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT

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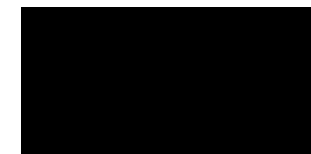
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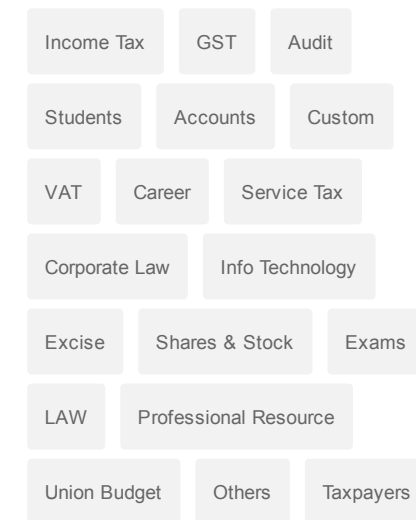


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			OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”
5	Consolidated Tax Invoices for Purchase from Unregistered Vendors	Prepare monthly consolidated tax invoice – supplier-wise for procurement from Unregistered Suppliers	Refer to Sec 31(3)(f) of the CGST Act, 2017 which provides for registered persons to issue an invoice for goods or services received from an Unregistered supplier
6	Delivery Challan – Intra State Stock Transfers	Check if Delivery Challan do conform to provisions of GST Laws. Refer Rule 55 of the CGST Rules 2017	Check if Delivery Challan has all contents prescribed as per GST Law. Specially check – 1. HSN and Description of goods being consigned 2. Quantity, Taxable Value, Tax Rate and Tax Amount 3. Place of supply in case of Inter-state movement 4. To be prepared in Triplicate – Original for Consignee, Duplicate for Transporter and Triplicate for Consignor
7	Bank/Cash receipts	Check if all taxable receipts are against Tax Invoice or Receipt Voucher (in case of advance)	In case invoice is not issued or same is not reported in returns, please report the same in GSTR 1 and GSTR 3B along with payment of tax and applicable interest.
8	Debtors Ageing Report	Obtain an aging report for debtors (against the invoices where ITC has been claimed) and see if any invoice has been paid beyond 180 days from the date of invoice.	Reverse the ITC for such delay in payment along with interest @18% from the date of taking ITC till the date of reversal. Refer to Sec 16(2) of the CGST Act, 2017. Please note that in case ITC can be reclaimed on subsequent payment to supplier. There is no time limit for availing re-credit (even can be availed after filing annual return)
9	E-Way Bill	Verify and reconcile E-Way	Reconcile all e-way bills generated along with Invoices



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		bill data with GSTR 1 filed	reported in GSTR 1. Verify both in terms of number of invoices as well as value reported in each invoice. For any discrepancy take corrective action in returns.
10	Job Work	Verify that the inputs and capital goods come back within time as per GST Laws	Inputs – 1 year from the date of dispatch Capital Goods – 3 years from the date of dispatch
11	Return for Job Work – ITC 04	Job Work return is to be filed by the principal sending the materials to job worker	File ITC 04 for each quarter starting from July 2017
12	HSN Reporting	Verify that HSN Code is reported on invoice along with description.	Choose description carefully which matches HSN code appropriately. Verify the rate of GST applicable on such HSN. Check changes on HSN and GST Rates from time to time.
13	Issuance of Credit Notes	Issue credit notes for any returns, or rejections or tax or value charged in excess of actual supply.	As per Section 34 of the CGST Act, 2017, a Credit Note is to be issued by supplier . Remember a customer cannot issue any document for any deduction. It should be issued by the supplier of goods or services
14	Post Sales Discounts	Issue a credit note for any post sales discount. The output liability shall be allowed to be adjusted against future liability of subsequent period. Refer to Section 15(3) (b) of the CGST Act, 2017	Issue a credit note for any post sales discount only if – <ol style="list-style-type: none"> 1. The same is established by an agreement entered before supply; and 2. It is linked to particular invoice; and 3. ITC on such invoice is reversed by the recipient Note – All points are important. Please ensure that ITC is reversed by the recipient. Obtain a declaration for indemnification (Tax and Interest at risk) if the supplier avails full ITC

15	Mixed and Composite Supplies	Carefully ascertain if the supplies made by you are mixed or composite supplies. Tax Treatment in both cases are different. Refer to Sec 2(30) – Composite supply and Sec 2(74) – Mixed Supply	<p>Composite Supply - Insurance, packing, delivery or other charges levied in the invoice along with supply of goods shall be charged at the same rate of GST at which the principal product is charged. This is Composite supply.</p> <p>Mixed Supply - A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply and is taxed at the rate of the item that is taxed at the highest tax. Each of these items can be supplied separately and is not dependent on any other.</p>
16	Penalty, fines or Interest on delayed payment	Any penalty or interest or fine charged on delayed payment by customer is leviable to GST.	GST on such cases is to be payable on actual receipt of consideration denoting such penalty, interest or fine. As and when the value is received, GST on such receipts may be paid. Refer to Sec 12(6) and 13(6) of the CGST Act, 2017.
17	Place of supply	Carefully examine the place of supply provisions to correctly charge type of GST	Ascertain the Place of supply provisions applicable in each case and charge correct GST. For intra state supplies, CGST + SGST shall be applicable and for Inter-state supplies IGST shall be charged. Also carefully consider Bill to and Ship to scenarios for correct GST applicability.
18	Time of supply	Time of supply deals with the time for discharge of GST Liability. Study the time of supply provisions for payment of GST on time	<p>If the GST is not discharged on time, Interest is applicable. Examine time of supply for special transactions along with regular supplies, like –</p> <ol style="list-style-type: none"> 1. Sale of Motor Vehicle or Assets 2. Disposal of assets without being supplied to third party 3. Transactions covered in Schedule I of CGST Act, 2017 4. Payments received by way of interest, late fees or fine for delayed payment 5. Reverse charge transactions specially in case of associate enterprises located outside India

19	Reverse Charge Transactions	Make a list of all reverse charge transactions along with applicable date of introduction	Discharge GST on reverse charge transactions within the due date. Analyze the eligibility or ineligibility of Input Tax Credit availability in all cases.
20	Reply to Notice/Email from Department	Respond to any notice or email seeking explanation or details from Departmental authorities Never leave any notice unattended.	Carefully go through the notice or email from department seeking details or explanation. Do not panic. Prepare details properly and correctly. In case more time is required, obtain extension of time by writing to Department. Take acknowledgement of physical letters submitted to Department. For any critical or important matters, please seek advise of your consultant or advocate
21	Ledger Scrutiny	It is important to review the ledgers for the entries passed	Periodically review all entries passed in ledgers. If the number of entries are huge, you may take a cut off based on value or based on GL or any other parameter.
22	Gifts/free Samples	Carefully examine the impact of Circulars and advance ruling issued on Gifts and Free samples	Analyze the impact and decide on ITC reversal on Gifts or free samples
23	Stocks Damaged, Destroyed or written off	ITC is not available for stock damaged, destroyed or written off of disposed.	Carefully examine the write offs in the books or any damages. ITC is to be reversed as per Sec 17(5) of the CGST Act, 2017. It is immaterial that Insurance claim is lodged.
24	Year-end write offs	We write off slow moving or non- moving inventories at the year end. ITC is to be reversed for all such cases	Instead of write off, if the physical existence of the goods are maintained, then reduce the value of such materials or maintain in books. This may delay reversal of ITC to the time of physical write off of the goods/inputs.

25	Document Series	For each year maintain a new document series. Refer to provisions of Tax Invoice, Credit and Debit Notes for provisions	<p>Invoice should be a consecutive serial number not exceeding 16 characters.</p> <p>Multiple series may be maintained – i.e. for domestic, exports, etc</p> <p>It may be alphanumeric with special characters such as hyphen or dash and slash (“-“ or “/”)</p> <p>For goods – 3 sets</p> <p>For services – 2 sets</p>
26	Advance received against services	Pay GST on advance received against supply of services	Discharge GST on receipt of advance Payment against supply of services and adjust the same subsequently on raising of invoices. Set off monthly liability against GST paid on advance
27	Purchases from E-Commerce Portals	Complete the registration formalities on E-Commerce portal to avail GST benefits on purchases made through such portal	<p>All major e-commerce website registration of businesses before passing on the benefit of GST ITC.</p> <p>It is important to refer to the individual e-com website policy on availing GST ITC. Review the GST eligibility before each purchases.</p> <p>Note – Even though GST may be charged on invoices, ITC may not be available to the buyer if the invoice is not “GST Invoice” or seller does not quote your GST number on the invoice</p>
28	ITC on hotel accommodation and flight tickets	<p>ITC is available on Hotel accommodation and flight tickets.</p> <p>For hotel accommodation please check the Location of the Hotel and your</p>	<p>GST ITC is available for flight bookings and hotel accommodation.</p> <p>Provide your GST number to your Travel Agent or on website from which the tickets are being booked.</p> <p>For hotel accommodation in same State, ITC may be available but if the hotel is located in some other State, GST</p>

		presence in that particular State	ITC may not be available even through the GST is reflected in GSTR 2A.
29	Insurance – Mediclaim	Review GST ITC on Mediclaim	Review provisions of Sec 17(5) to decide on eligibility of GST ITC on Mediclaim obtained for employees
30	ITC on Insurance or repairs on Motor Vehicle carrying passengers	ITC on motor insurance policies or motor repairs and maintenance is not eligible if the ITC on such motor vehicles are not available	Review provisions of Sec 17(5) to decide on eligibility of GST ITC on Insurance, repairs and maintenance on motor vehicles for carrying passengers
31	Treatment of exempt supplies	Carefully review if outward supplies include any exempt supplies on which GST is not applicable	Proportionate reversal of ITC on such exempt supplies is to be made for Inputs, Input Services and capital goods. Refer to Rule 42 and 43 of the CGST Rules, 2017
32	Goods/ Services for personal use	ITC is not allowed on any goods or services used for personal use	Reverse ITC on any goods or services used for personal use. Review any such use and reverse ITC
33	Membership of club, fitness centre	ITC is not eligible for membership of Club, health centre or fitness centre	Review any such membership paid by the entity and do not avail any GST paid on such membership.
34	Reconcile GSTR 1 Vs. GSTR 3B	Reconcile Outward supply details reported in GSTR 1 and GSTR 3B	Reconcile outward supplies reported in GSTR 1 and GSTR 3B in various tables i.e. Taxable outward supplies, ZERO rated supplies, etc. Take corrective action in case of any mismatch. Refer to Circular No 26/26/2017-GST dated 29 th December 2017 for details of rectification to be done.
35	Reconcile GSTR	Reconcile ITC availed in	It is important to reconcile details of ITC availed in GSTR

	Purchase Records Vs. GSTR 2A	GSTR 3B vs. one auto-populated in GSTR 2A	3B and those appearing in GSTR 2A based on invoices uploaded by suppliers in their GSTR 1.
36	Reconcile GST ledgers vs. Books	<p>Following Ledgers are maintained on GSTN Portal –</p> <ol style="list-style-type: none"> 1. Electronic Cash Ledger 2. Electronic Credit Ledger 3. Electronic Liability Ledger 	Reconcile balance of GST ledgers (Electronic Credit Ledger, Electronic Cash Ledger, Electronic Liability Ledger) with the balances appearing in the books of accounts
37	Reconcile ITC in books Vs. claimed in returns (Back date entries)	Reconcile all invoices against which ITC is availed in GSTR 3B vs. those appearing in books of accounts for that particular month	It happens sometimes that some invoices are received post filing of returns and may have missed to claim ITC. It is very important to reconcile the details of invoices booked in ERP and ones claimed in returns
38	Reconcile Turnover in Books vs Returns	Reconcile the Revenue appearing in books of accounts and those reported in returns	Carefully, list out all revenue appearing in books of accounts including all other income. Examine the GST implication on such revenue and discharge GST liability for all such cases. Also review GST applicability on sale of asset, motor vehicle which may not be routed through revenue GL.
39	Track Supplier non compliance	Download GSTR 2A data and identify the non-compliant vendors	Follow up with the vendors who have not filed their returns
40	Reconcile E-Way Bills issued Vs Returns filed	Reconcile E-Way Bills used against Outward Supplies, Inward Supplies, Return of	List down all E-Way Bills issued and reconcile the same with those reported in GSTR 1.

		goods (Either generated by supplier or recipient)	
41	Reconcile Sales returns vs. E-Way Bill data	Department has issued an advisory for mismatch of data between details reported in GST Returns and e-way bills generated for sales returns.	Reconcile sales returns reported in GST Returns (Credit Notes) with the e-way bills generated through portal.
42	Identify Ineligible ITC and reverse	List out all possible Ineligible ITC along with their HSN or SAC details so that ITC may not be availed	Refer to Section 17(5) for list of all such ineligible items.
43	Identify supplier invoices pending beyond 180 days	List out all the pending invoices for suppliers and list out the ageing analysis of each invoice.	ITC is to be reversed for suppliers whose invoices are unpaid within 180 days from the date of invoice. Interest is also applicable in case of reversal.
44	Report document series in GSTR 1	Report document series for all the documents issued during the month	Report document series for Outward Supplies, Debit notes, Credit notes, Delivery challan, etc. Details to include Opening Series, Closing series and cancelled invoices
45	Report HSN details in GSTR 1	Disclose HSN details to be reported in GSTR 1	Prepare HSN details and reconcile
46	Review Capitalisation of Assets	Review on eligibility of ITC before deciding on capitalization in books of accounts	For the capital expenditure where ITC is available, claim ITC and where-ever benefit of GST ITC is not available, capitalize the entire value (Basic plus GST) to avail the benefit of depreciation.
47	Review additions to	Do not avail ITC on	ITC is not available for additions to immovable property as

	Building and Shed	capitalization of Building and Shed.	per Sec 17(5) of the CGST Act 2017. It is advisable to Capitalize the same along with GST paid to vendors. (Capitalize Basic plus GST)
48	Keep back up of ERP/Accounting package for all monthly returns filed (incl for ITC)	Prepare month wise back up of all returns filed (i.e. GSTR1, GSTR 3B, ITC 04, GSTR 9, etc).	It is advisable to keep a proper back up of all the returns filed. Keep the back up of the ERP including all the invoices considered for ITC for that particular return. Ideally a print out of details would come handy. Keep month-wise GST physical file along with soft copy of the same.
49	Validate vendor Invoices	Validate all particulars of the supplier invoices received	It is better to review vendor invoices before accounting. Review- Name, GSTIN, POS, Basic Value, HSN and description, Tax Rate, Tax Value, Type of tax charged (CGST + SGST or IGST), etc. Flag off any issue immediately to supplier to correct any discrepancy
50	Review GRN date with ITC availed	Review the date of receipt of goods while claiming ITC	As per the provisions of GST Law, ITC is permissible post receipt of goods (except some exceptions such as receipts at job work premises, receipt by agent, etc). Hence, Check once if the date of claiming ITC is post GRN date. Care must be taken for month end procurements, where supplier invoice may be date end of the month and goods are received in next month.

Note - This is for information only. For exact details of changes, the notification/Circular may please be referred to, as and when they are issued.

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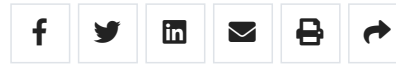
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