

# **GST Issues to Consider For Closure of Books of Accounts**

*[Updated till 14<sup>th</sup> July, 2018]*

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**GST Issues to Consider  
For Closure of Books of Accounts**

## Major GST issues to be considered before closure of books

Input Tax Credits

Fixed Assets

Reverse Charge

Documents

Related Party Transactions

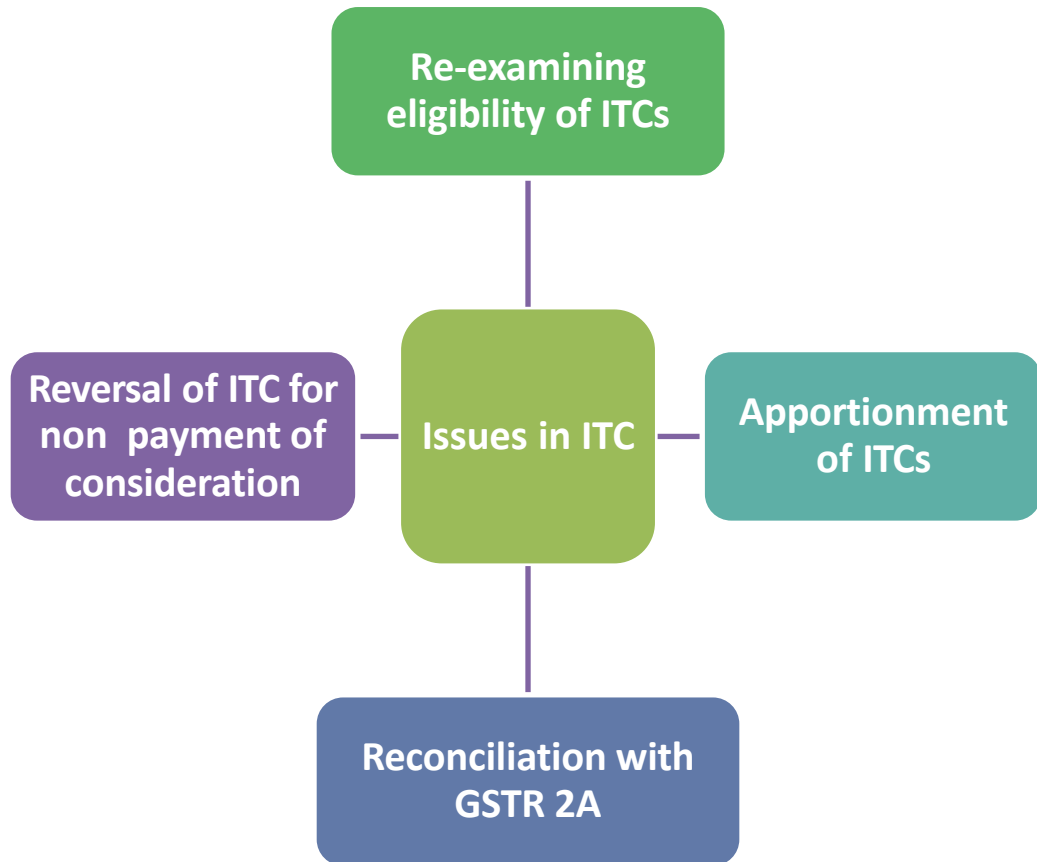
Advances

GST Audit

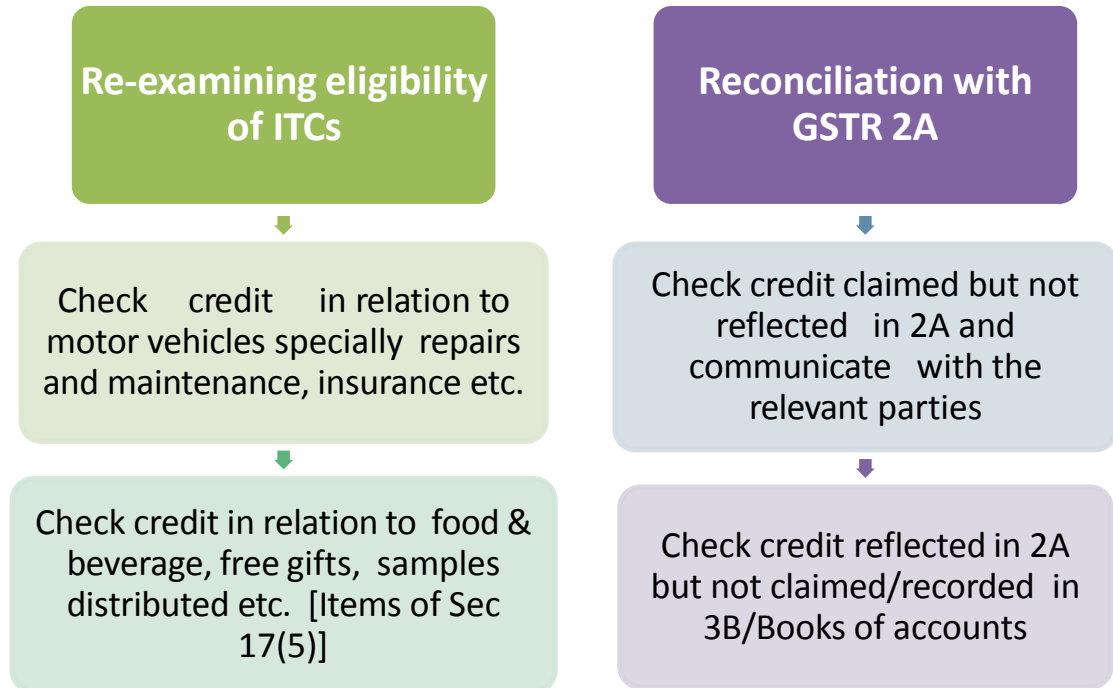
Unreported Supplies



## Issues in Input Tax Credits



## Issues in Input Tax Credits



## Input Tax Credit under GST



## Reversal of ITC for non-payment of Consideration

*[Sec 16(2) Read with Rule 37]*

Consideration shall be paid within:

- 180 days from
- The Date of invoice
- and if not paid
- Shall be added back to the output liability
- Reversed credit shall be **re-eligible on payment** of consideration
- In case of part payment, only **proportionate reversal** will be done

Whether provision  
applicable to payment in  
relation to goods &  
services both?

Yes

Whether  
consideration  
means both  
taxable and tax?

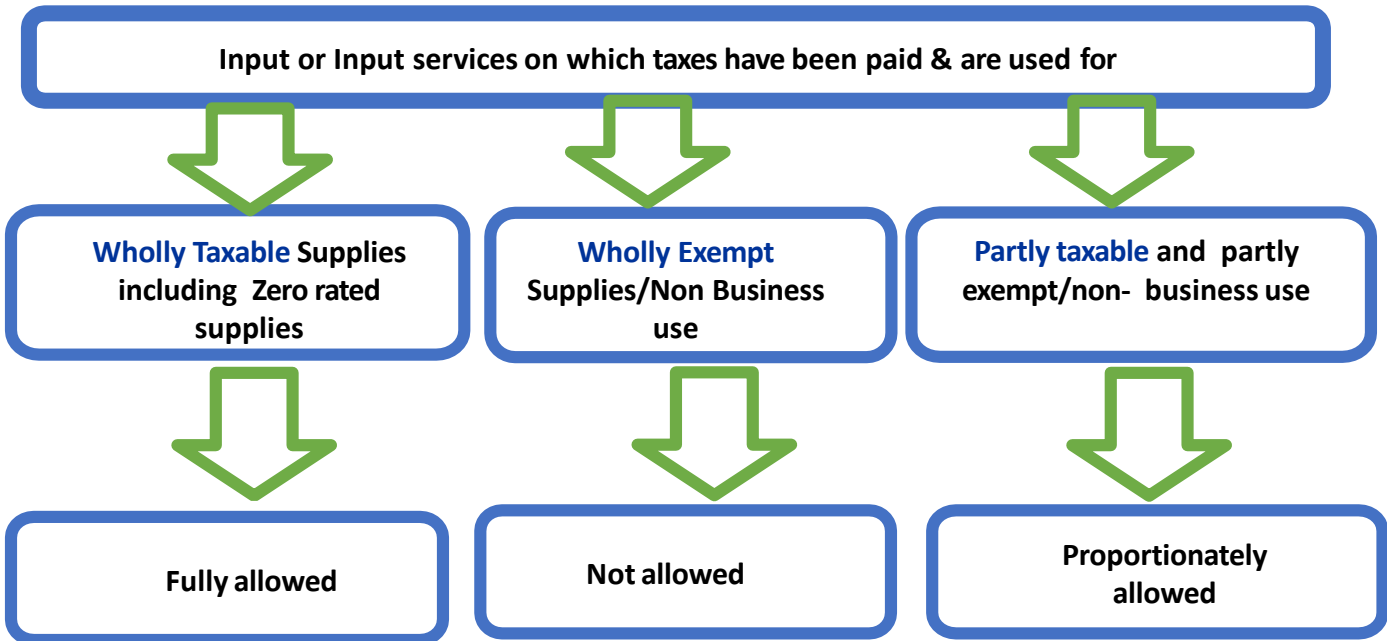
Interest payable from  
the date of availing  
till the date of  
reversal

S.No 15 of Proposed  
amendment  
No interest to be paid

Not Applicable as on  
date

## Apportionment of Input Tax Credits Sec 17(1) to (4)

### *In case of Input or Input services*



## Part 1:

# Apportionment of Input Tax Credits against Exempt Supplies

## Calculation of common credits

**Common Credits =**

**Total Credits less:**

- Credits relating to taxable supplies
- Credits relating to exempt supplies / non business purposes
- Ineligible credits as per Sec 17(5)

## Calculation of reversal amount from common credits

**Reversal Amount =**

**[Aggregate value of exempt supplies / Total turnover ] x Common Credits**

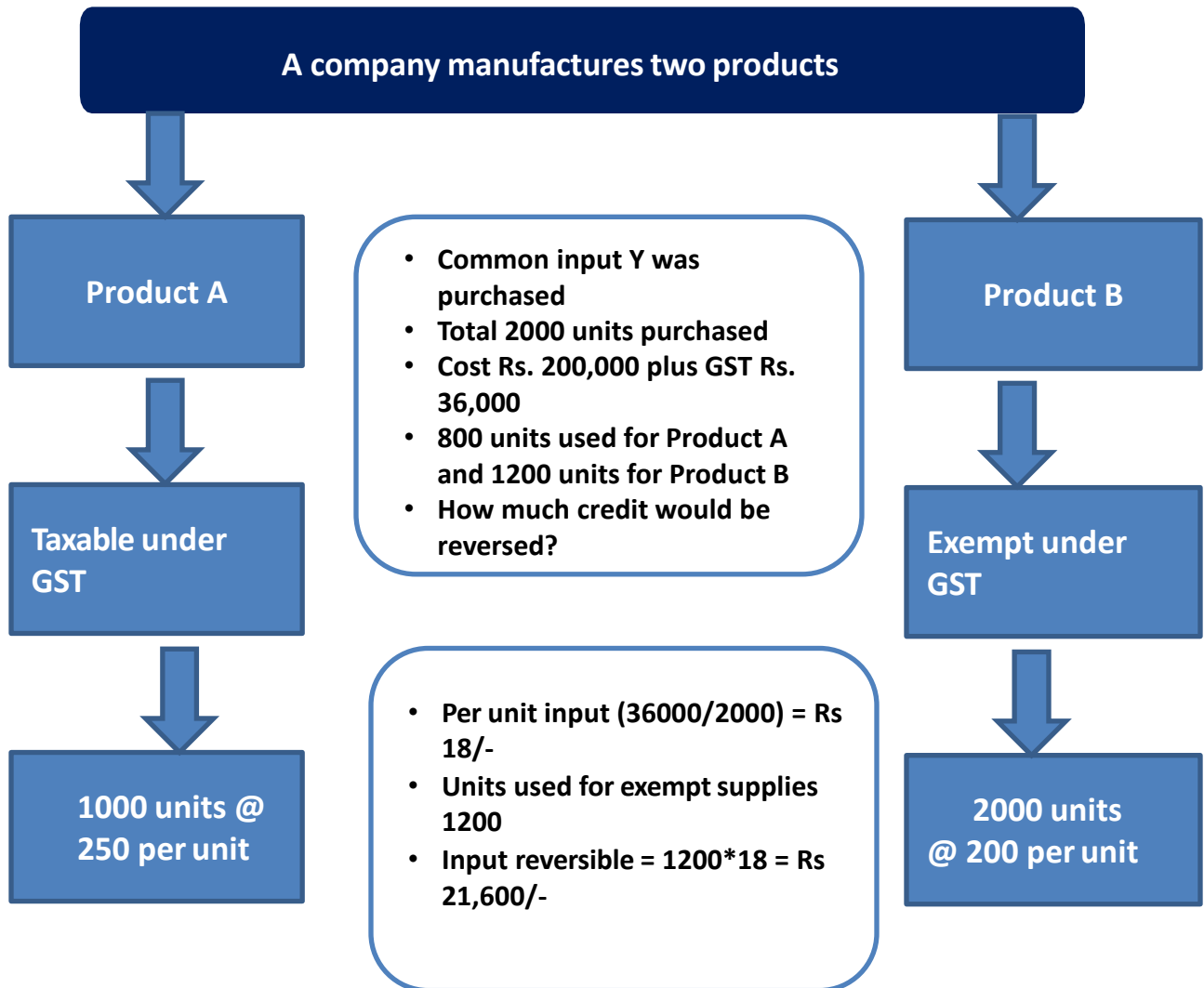
## Rule 42(2)

The input tax credit determined under sub-rule (1) shall be calculated finally for the financial year before the due date for furnishing of the return for the month of September following the end of the financial year to which such credit relates, in the manner specified in the said sub-rule and-

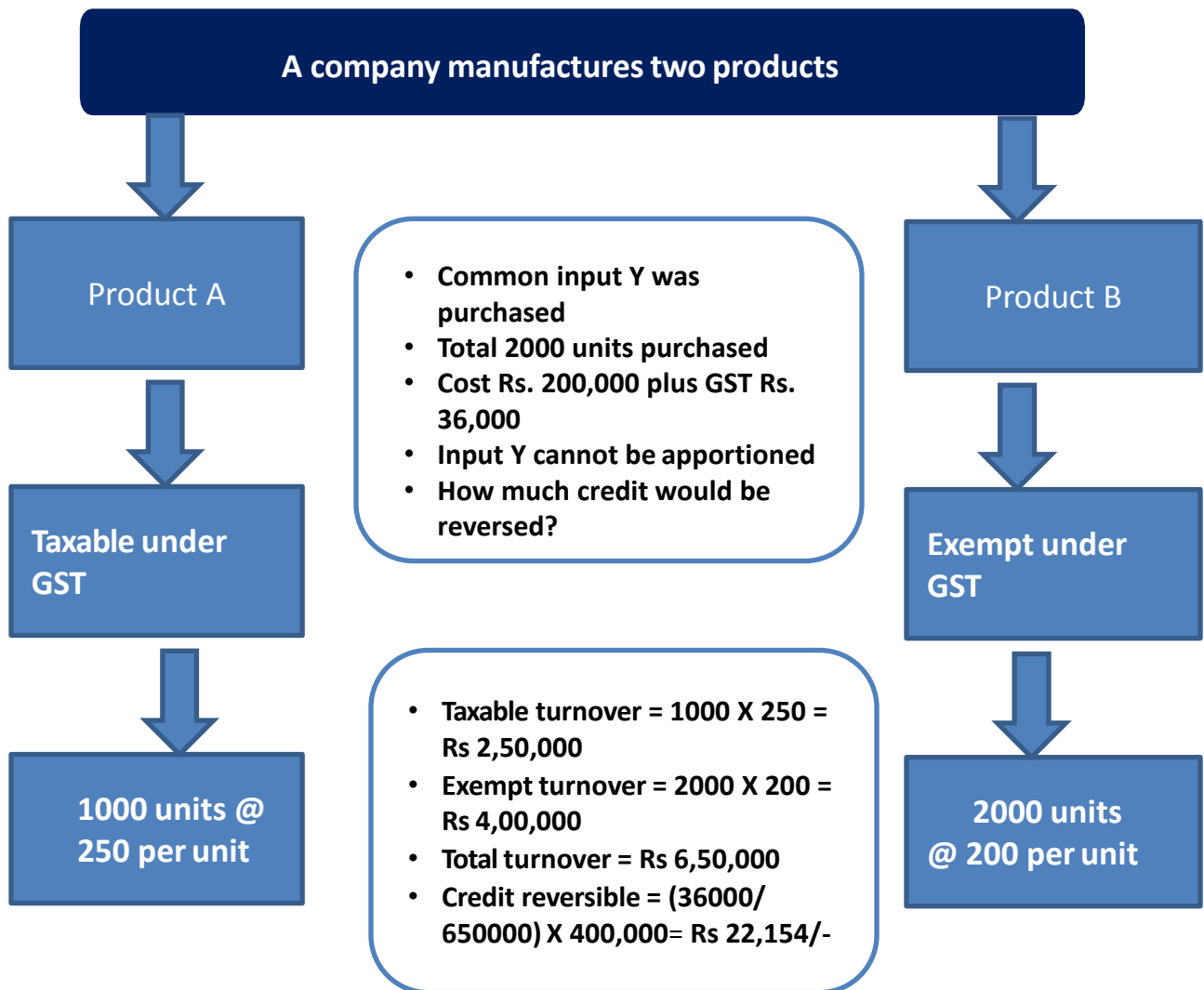
- (a) where the aggregate of the amounts calculated finally in respect of  $\text{D1'}$  and  $\text{D2'}$  exceeds the aggregate of the amounts determined under sub-rule (1) in respect of  $\text{D1'}$  and  $\text{D2'}$ , such **excess shall be added to the output tax liability** of the registered person in the month not later than the month of September following the end of the financial year to which such credit relates **and the said person shall be liable to pay interest on the said excess amount at the rate specified in sub-section (1) of section 50 for the period starting from the first day of April of the succeeding financial year till the date of payment**; or
- (b) where the aggregate of the amounts determined under sub-rule (1) in respect of  $\text{D1'}$  and  $\text{D2'}$  exceeds the aggregate of the amounts calculated finally in respect of  $\text{D1'}$  and  $\text{D2'}$ , such **excess amount shall be claimed as credit by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.**



## Case 1



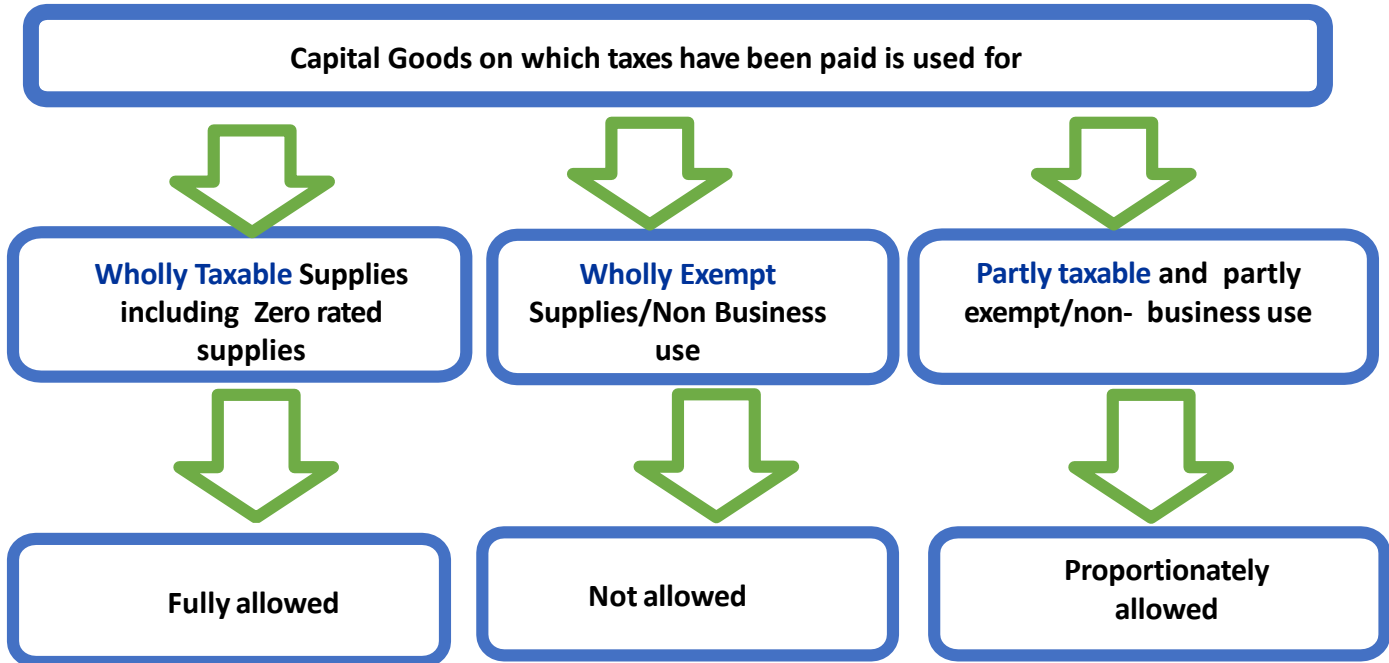
## Case 2



## Part 2:

### Apportionment of Input Tax Credits against non-business use Sec 17(1) & (2), Rule 43

#### In relation to Capital Goods



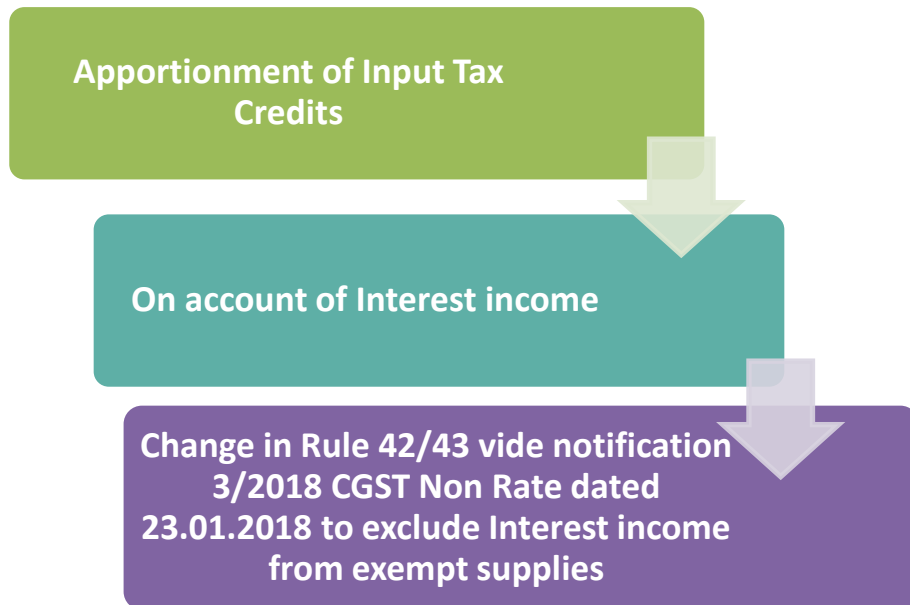
Monthly Credit to be apportioned = Total credit on capital goods / 60\*

\*[Life of capital goods assumed to 5 years or 60 months]

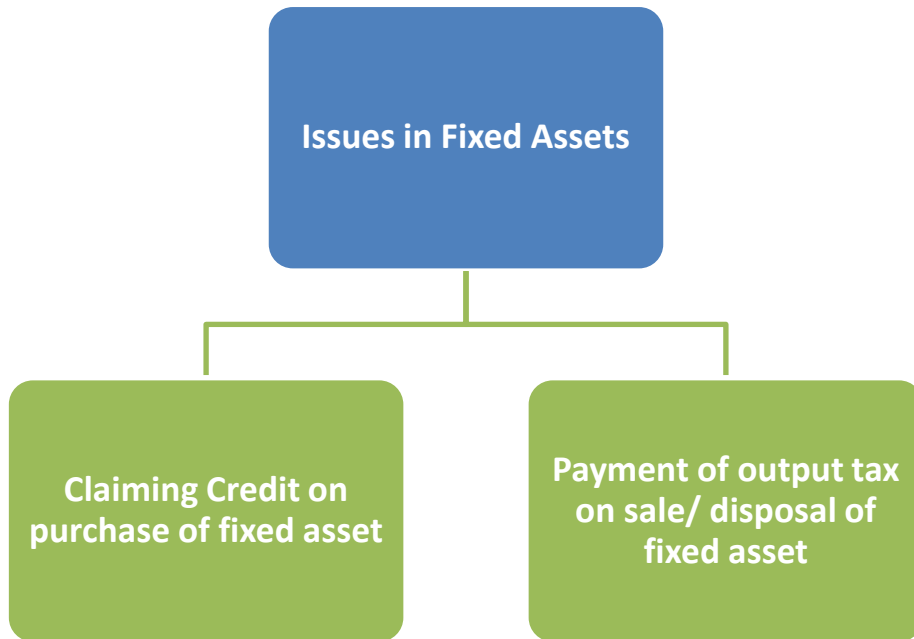
## Apportionment of Input Tax Credits

### Calculation of Reversal Amount

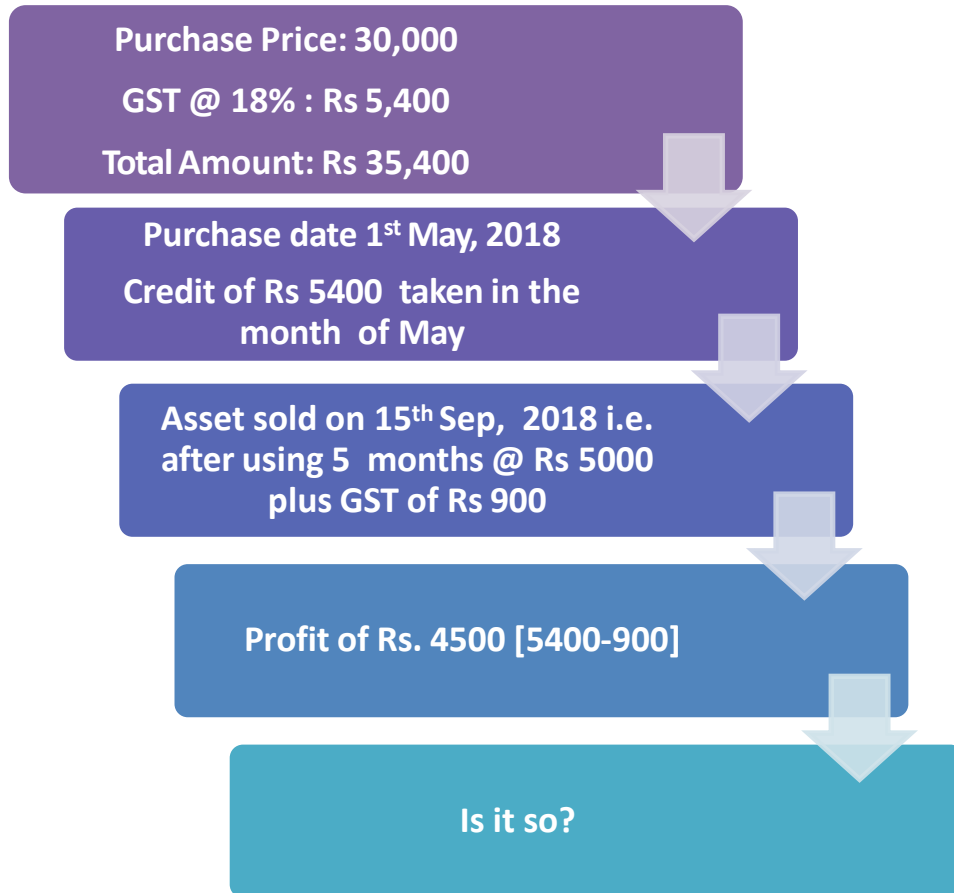
**Monthly Reversal Amount =**  
**[Aggregate value of exempt supplies / Total turnover] x Monthly Credit**  
**to be apportioned**



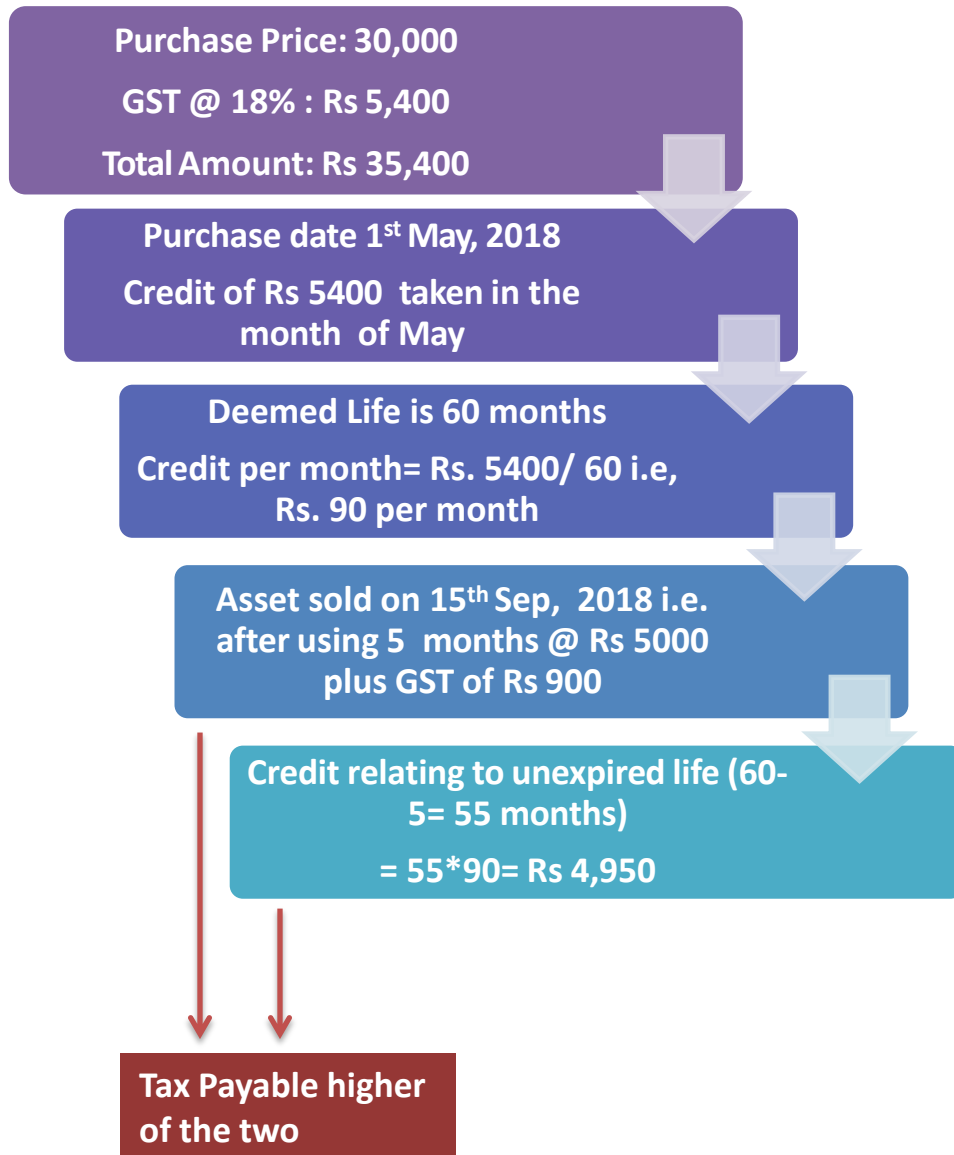
## Fixed Assets



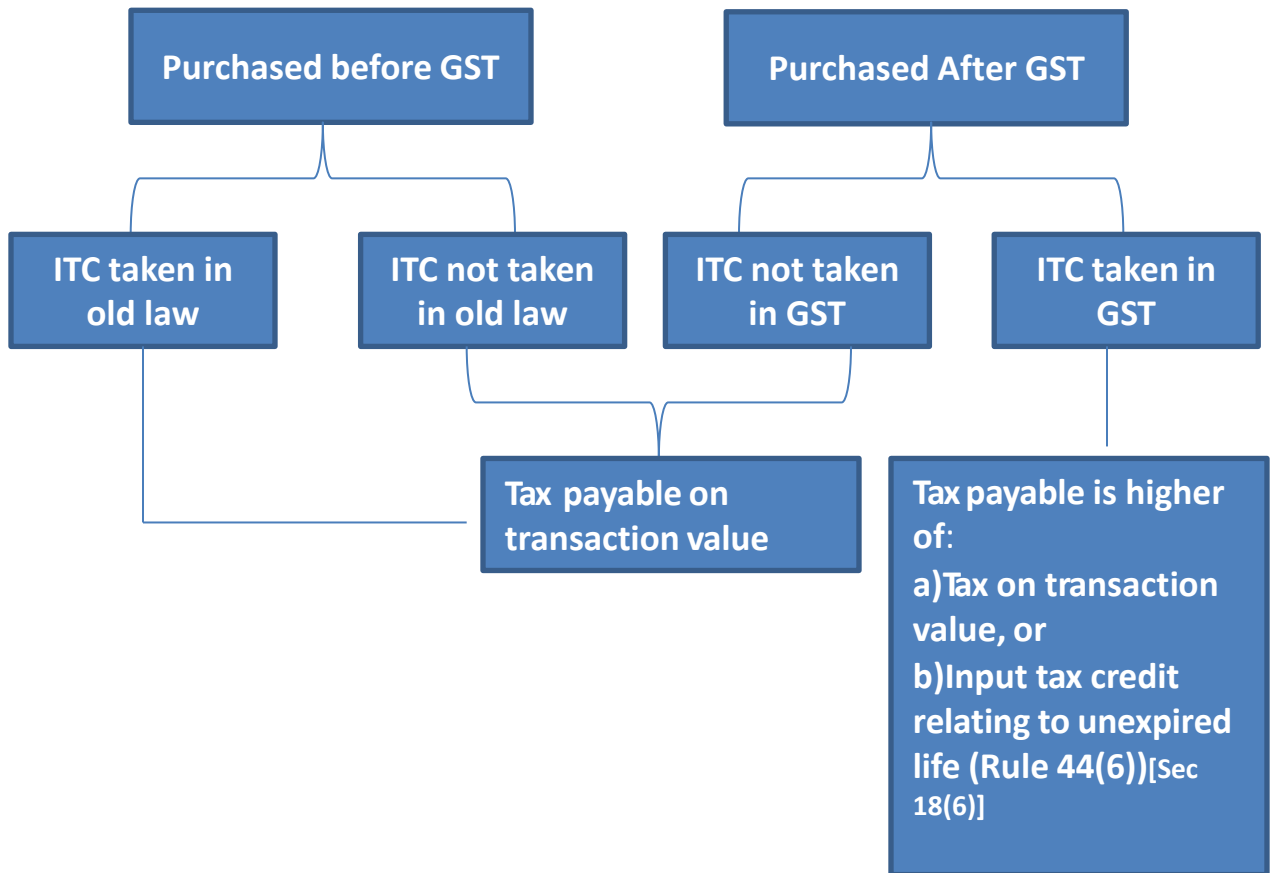
## Sale/ Disposal of Fixed Assets



## Sale/ Disposal of Fixed Assets [Sec 18(6)]

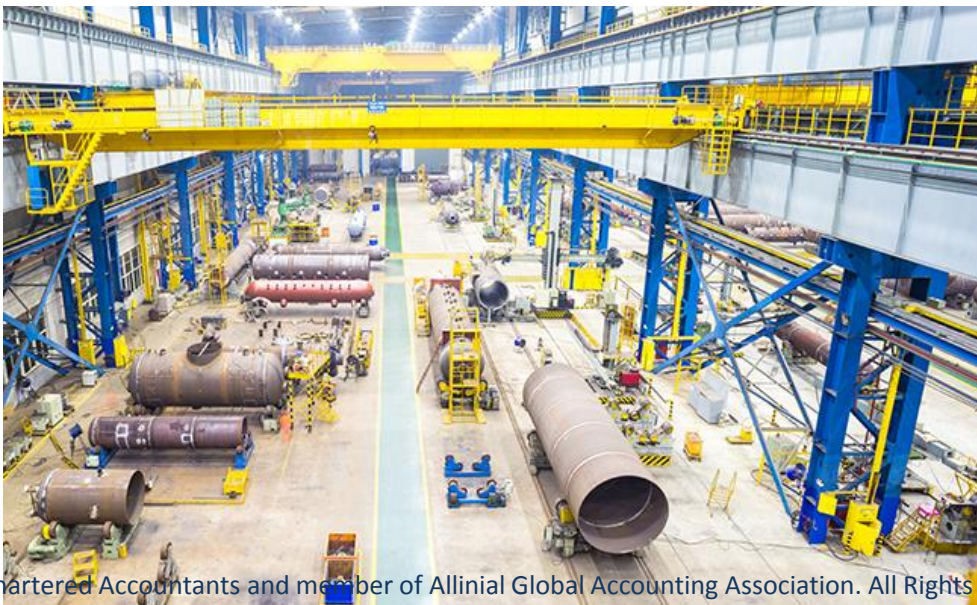
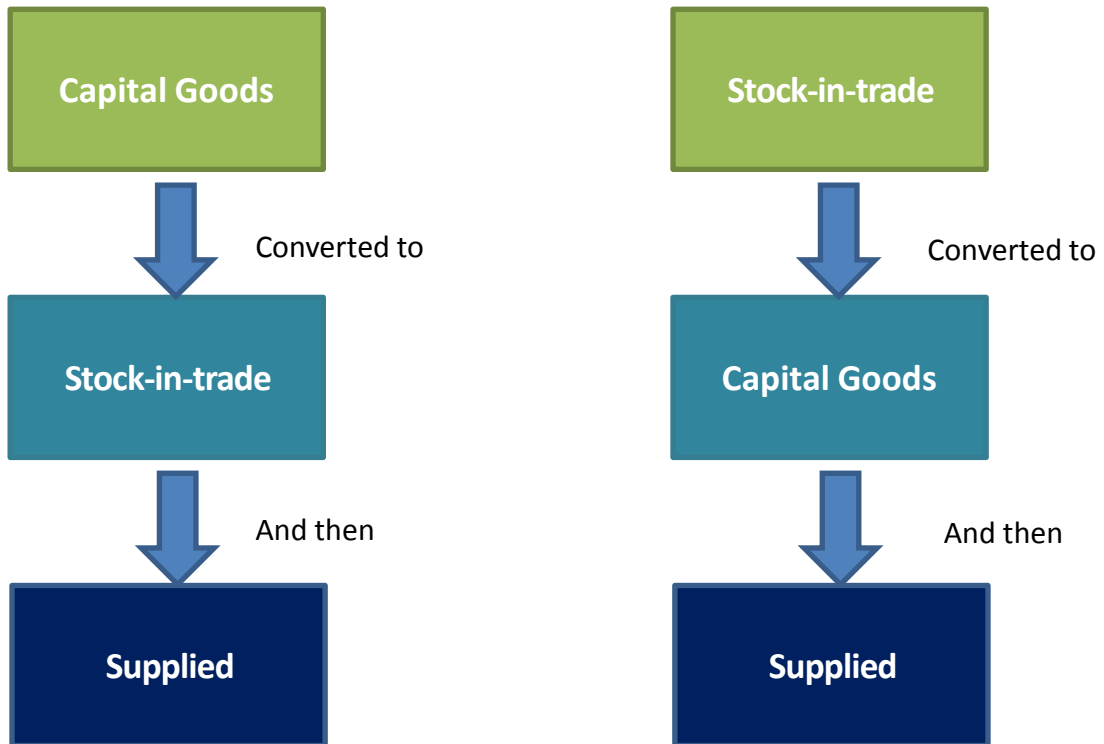


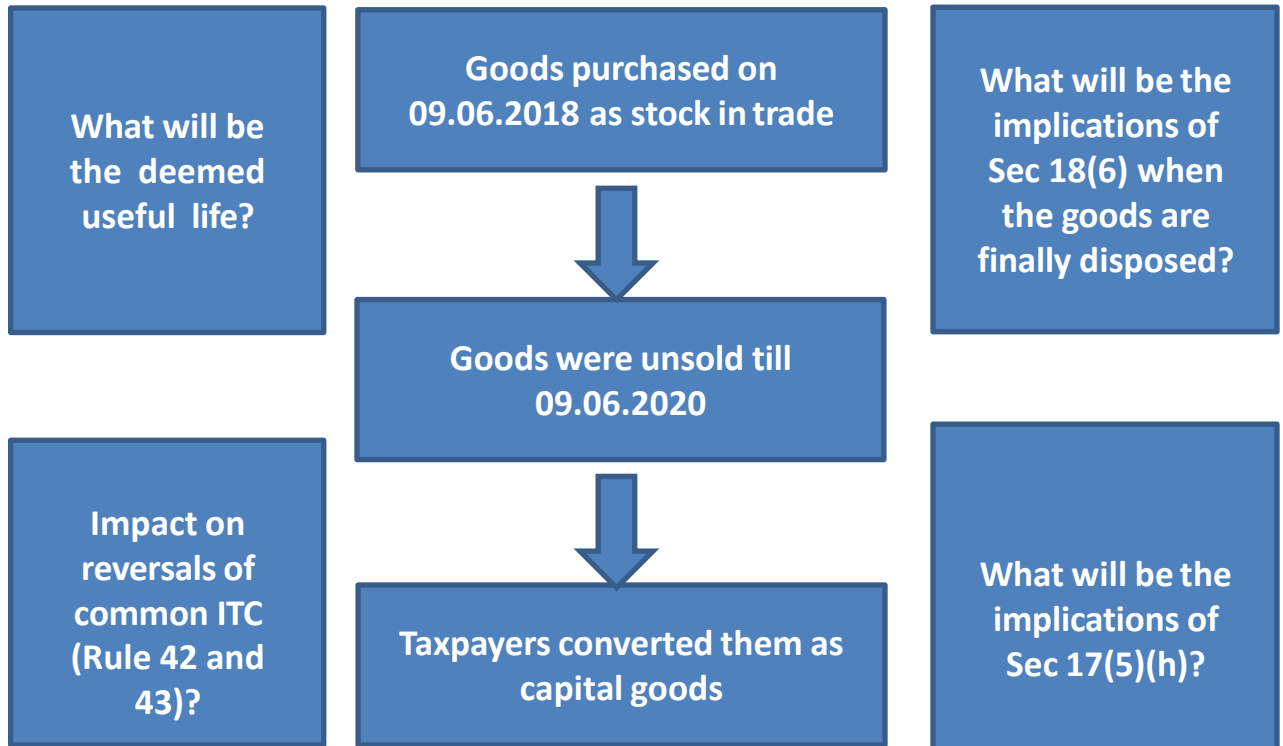
## Sale/ Disposal of Fixed Assets





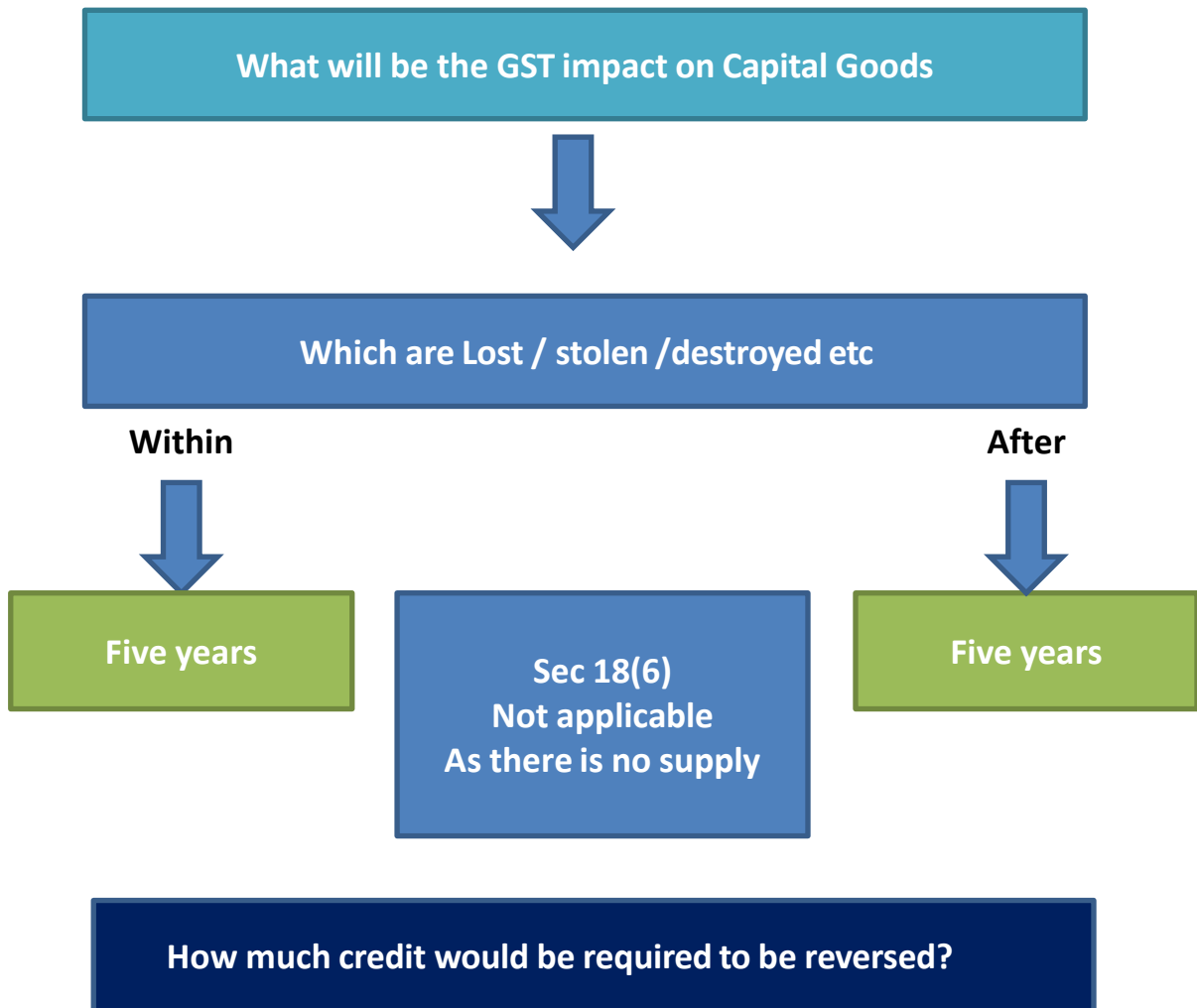
## Implications





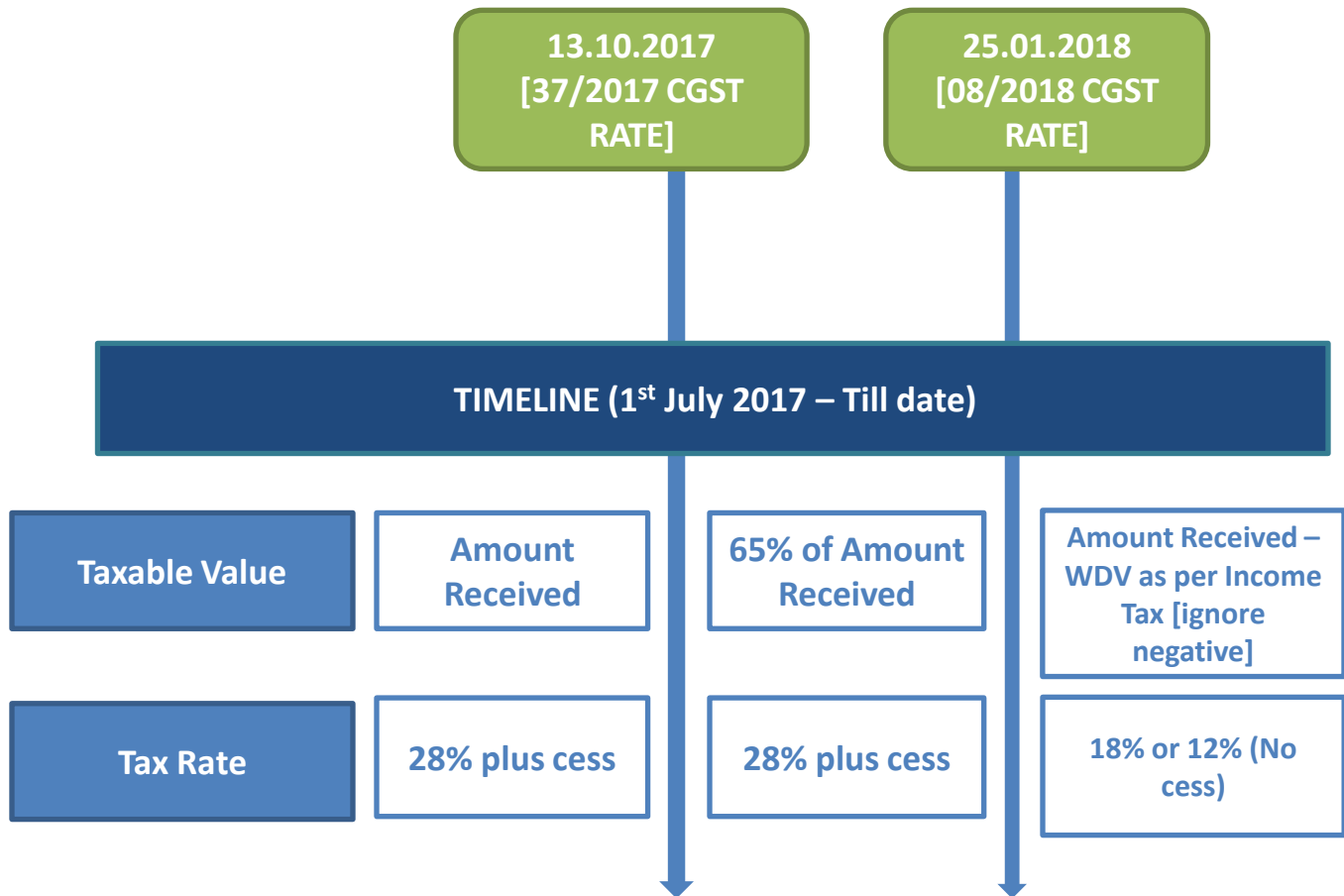
**Input Tax Credit shall not be available in respect of the following, namely:**



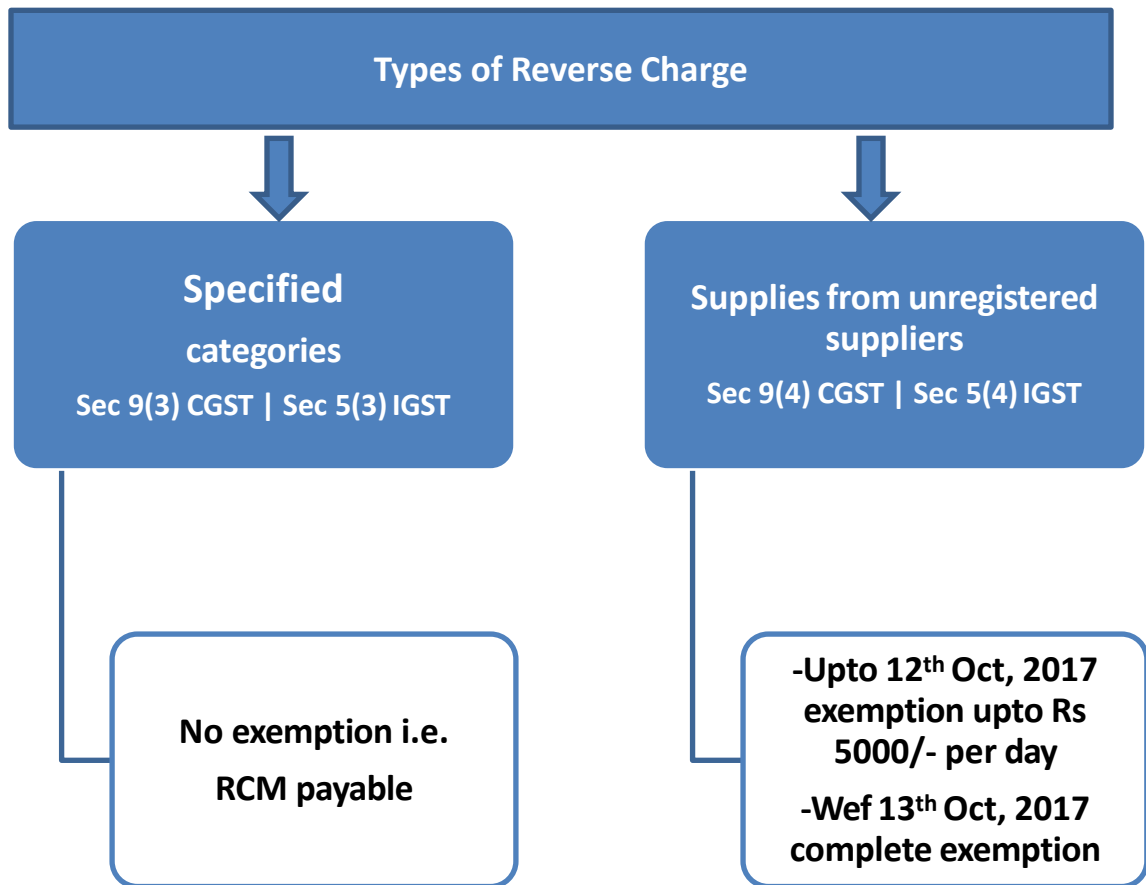


## Value and rate in case of sale of motor vehicle

*(Cases where Input Tax Credit is not taken)*

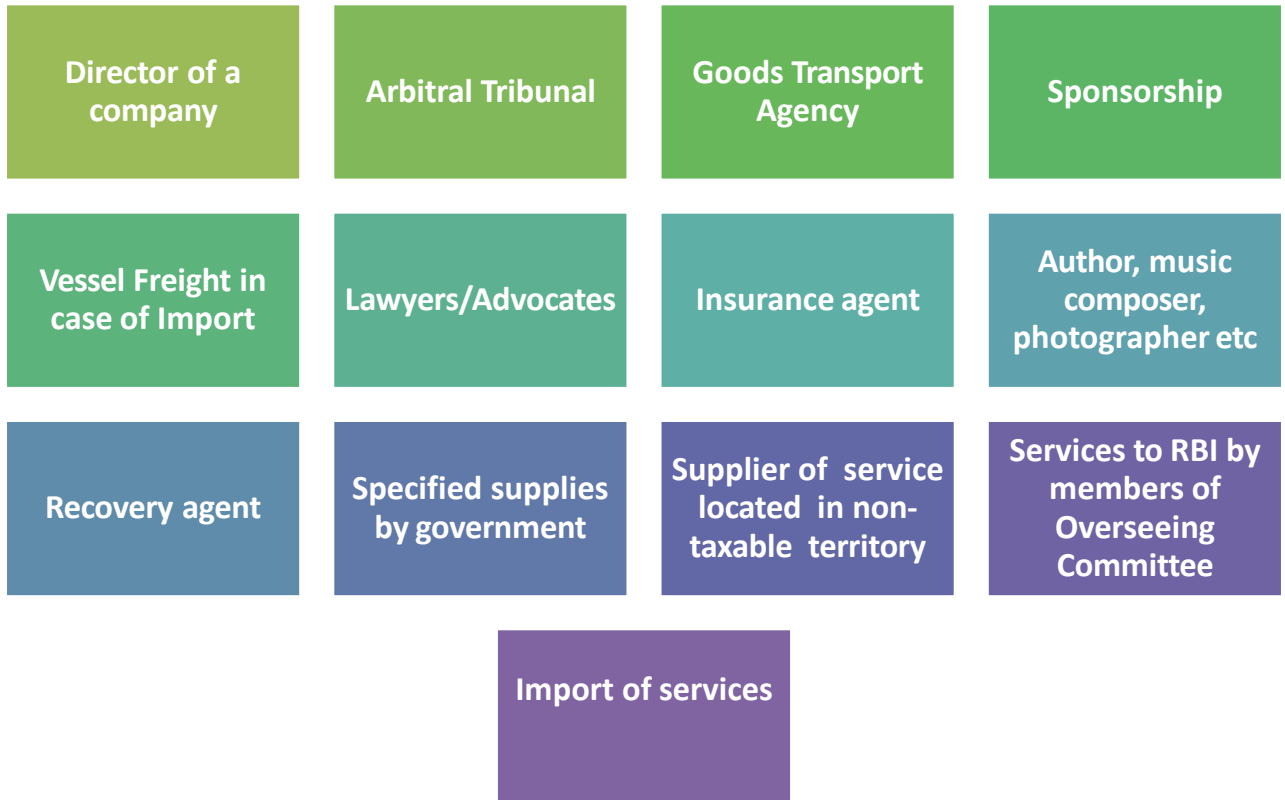


## Reverse Charge



## Specified supplies on which RCM is applicable

**10/2017 IGST RATE (Amended by 22/2017 & 34/2017)**



## Specified supplies on which RCM is applicable

### 4/2017 CGST RATE (Amended by 36/2017 | 43/2017)

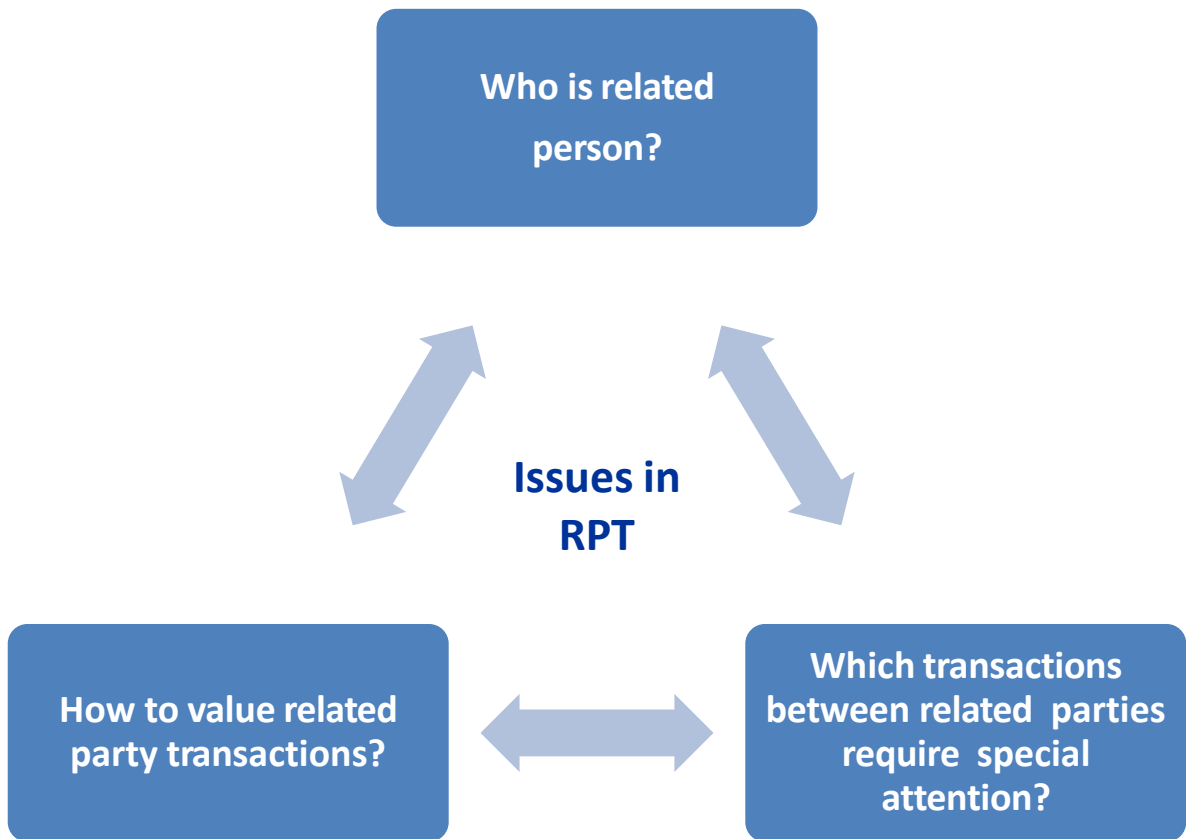
S. No.	Description of supply of goods	Supplier of goods	Recipient of supply
1.	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2.	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3.	Tobacco leaves	Agriculturist	Any registered person
4.	Silk yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any registered person
4A.	Raw cotton	Agriculturist	Any registered person
5.	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent. Explanation.- For the purposes of this entry, lottery distributor or selling agent has the same meaning as assigned to it in clause (c) of Rule 2 of the Lotteries (Regulation) Rules, 2010, made under the provisions of sub section 1 of section 11 of the Lotteries (Regulations) Act, 1998 (17 of 1998).
6.	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	Central Government, State Government, Union territory or a local authority	Any registered person
7.	Priority Sector Lending Certificate	Any registered person	Any registered person



## Various Types of Documents under GST

<b>Tax Invoice</b>	• Taxable Supply
<b>Bill of supply</b>	• Exempt Supply
<b>Delivery challan</b>	• Movement of goods
<b>Debit Note</b>	• Related to Supply
<b>Credit Note</b>	• Related to Supply
<b>Receipt voucher</b>	• At the time of receipt of advance
<b>Revised / supplementary Invoice</b>	• For new registrants only
<b>Refund voucher</b>	• At the time of refund of advance
<b>Payment Voucher</b>	• Payment in RCM cases
<b>Self Invoice</b>	• Reverse charge cases

## Related Party Transactions



## Rule 28: Related Party Method

### Option 1



## Rule 28: Related Party Method

### Option 2 [Applicable only for goods]

Goods supplied by A to B, where A and B are related

Same goods were sold by B to C who are not related



What will be the value of supply?



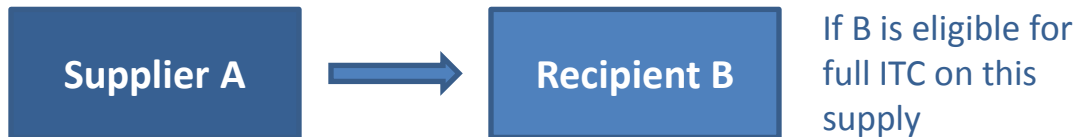
90% of price charged from C by B



## Rule 28: Related Party Method

### Option 3

Goods/ services  
supplied by A to B,  
where A and B are  
related

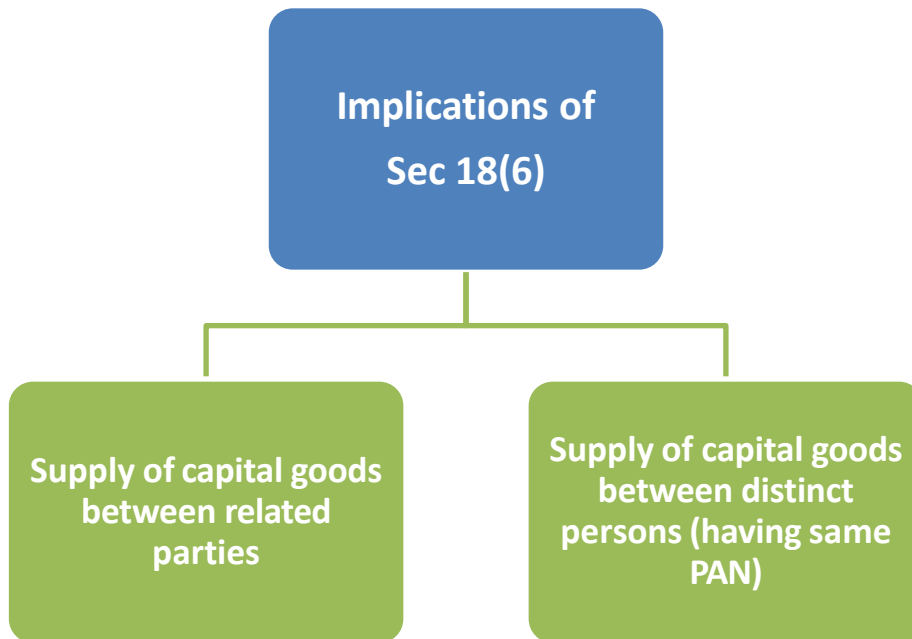


What will be the value of  
supply?

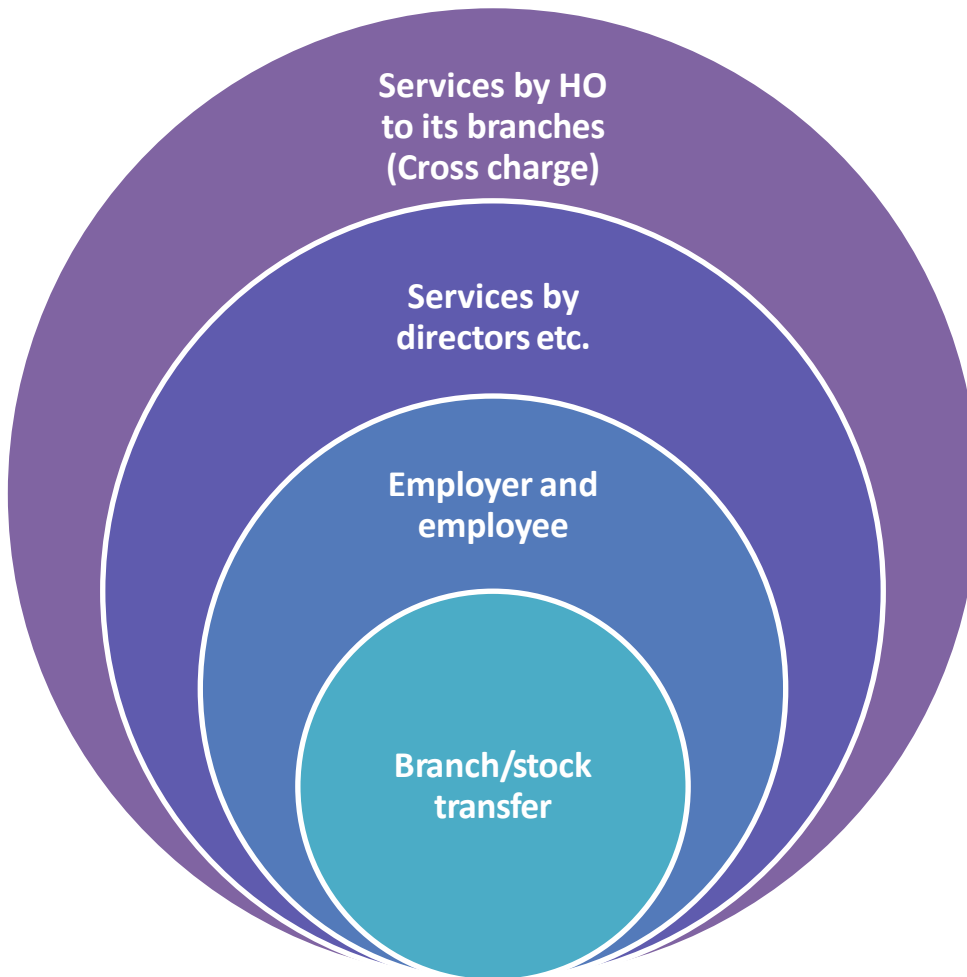


Price charged on Supply by  
A to B



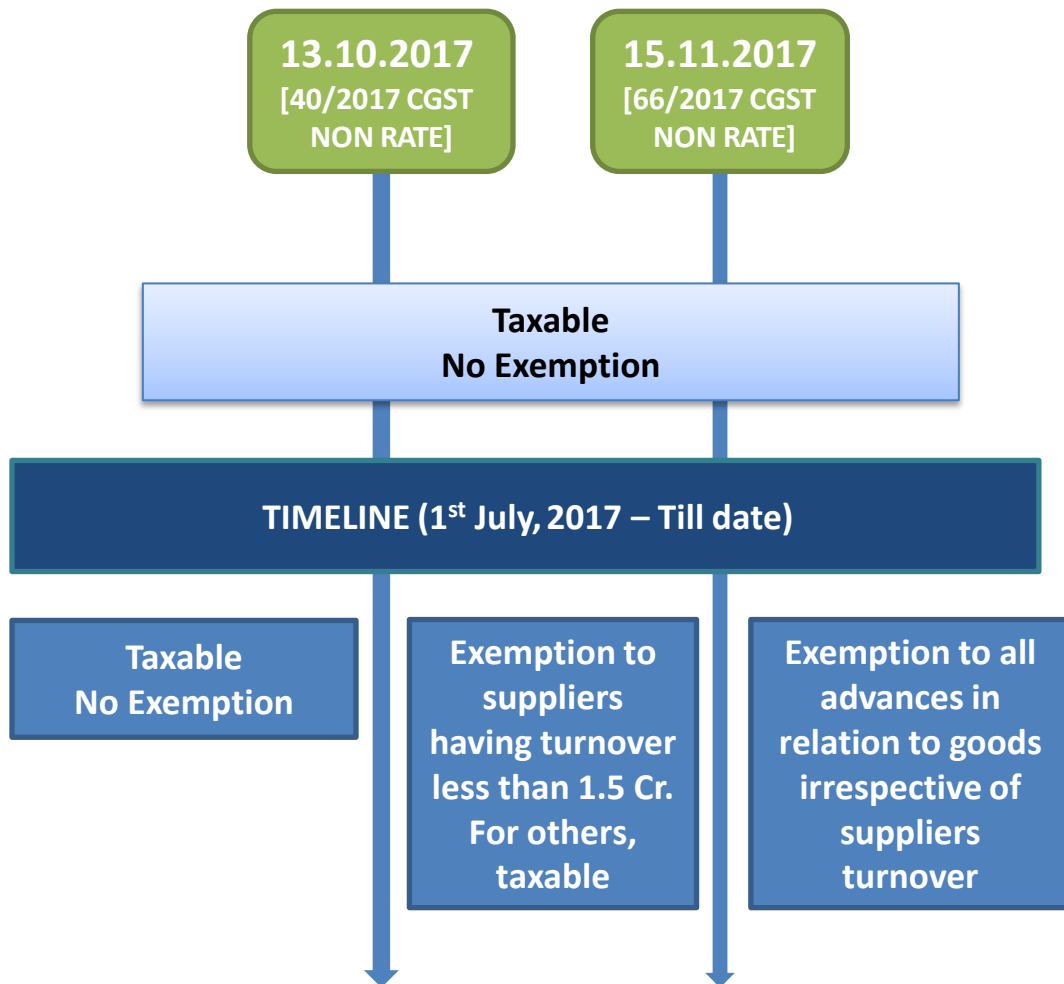


## Related party transactions requiring special attention



## Advances

### *Taxability of advances in relation to goods/ services*

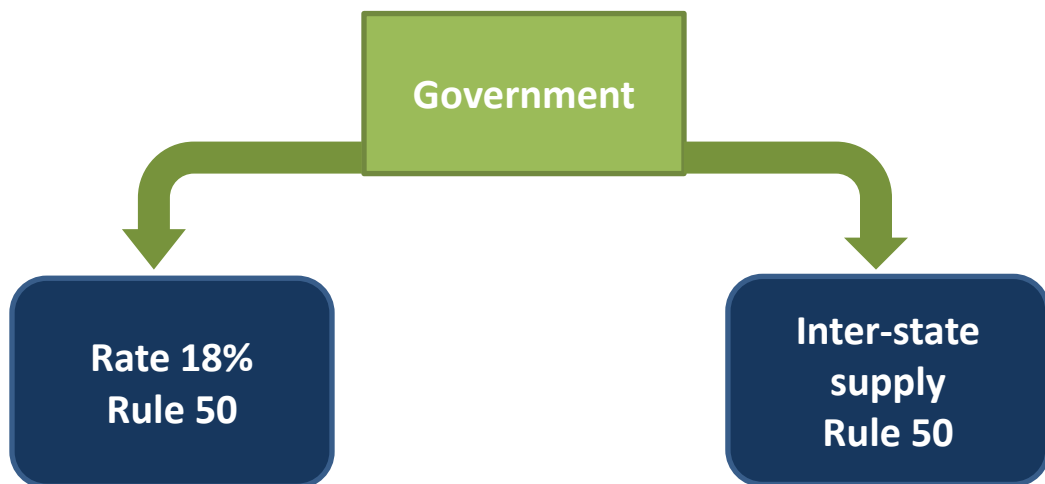




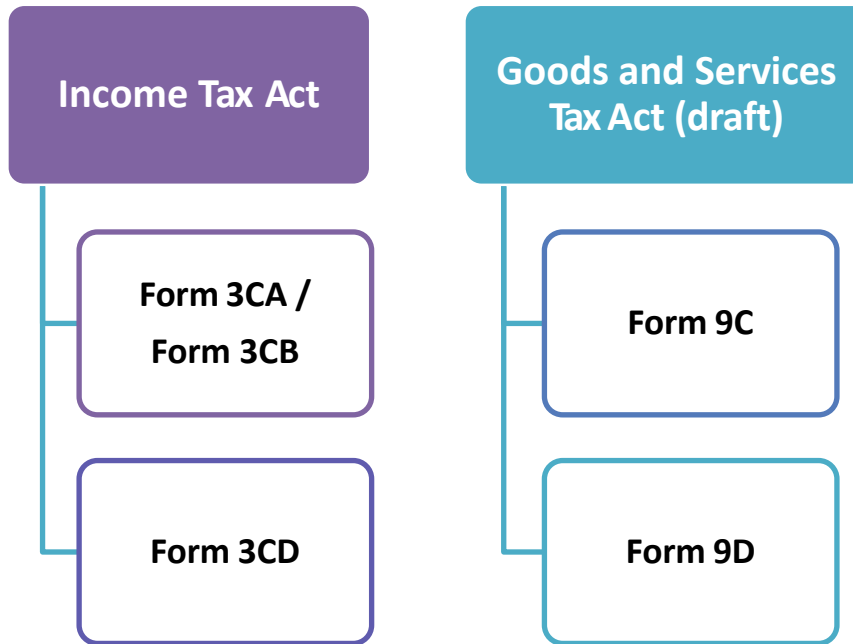
## How Tax will be paid on advances?

What if I don't know which good/service would be supplied or against which goods/services that amount would be utilized?

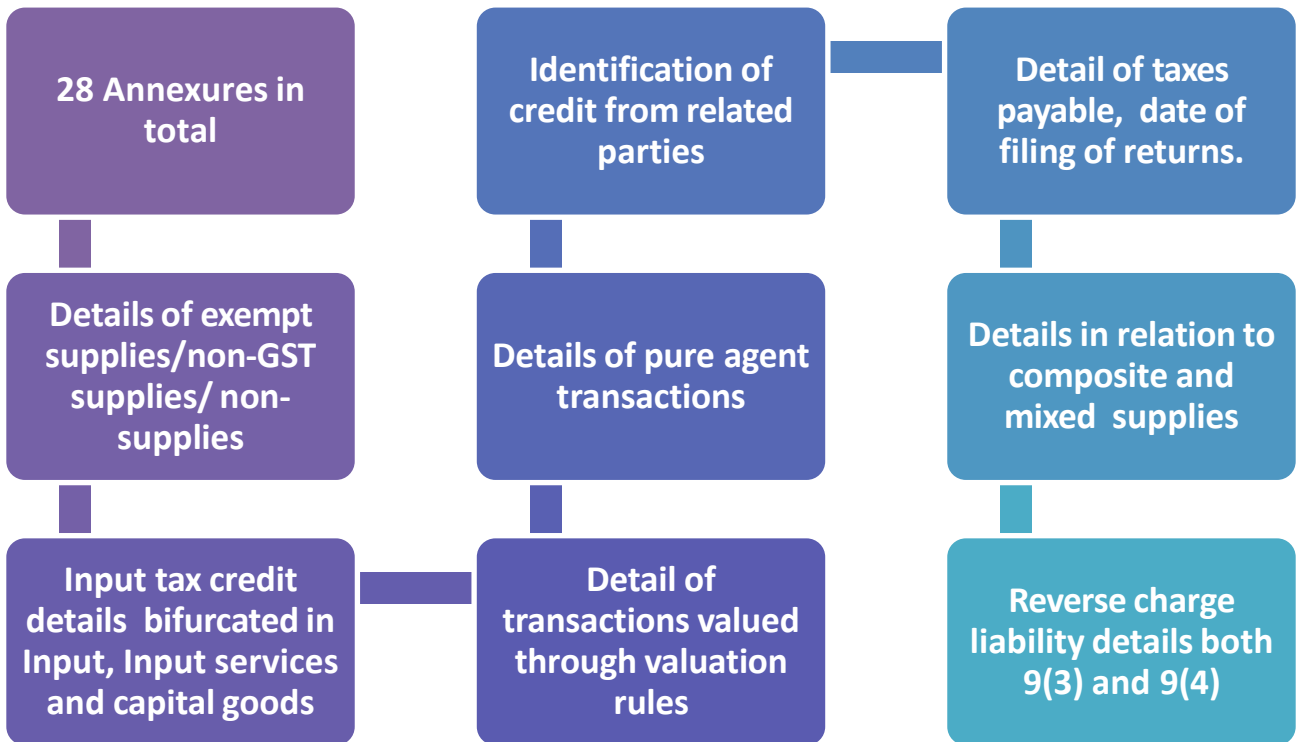
What if I don't know the nature of supply i.e. whether it will be an intra-state or inter-state?



## Audit under GST



## Audit under GST



## Unreported Supplies

What should we do with unreported

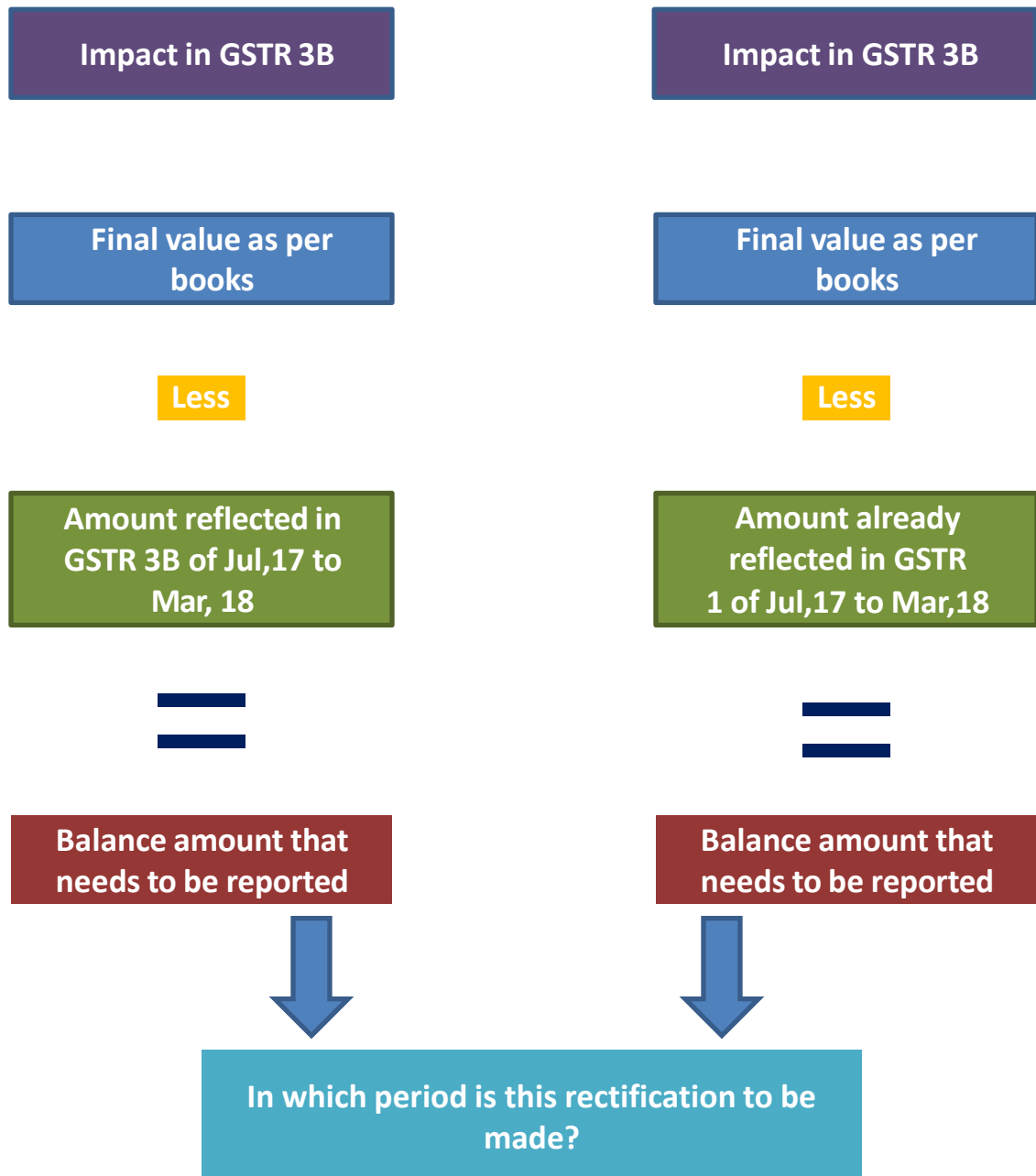
-Outward supplies, or

-Inward supplies?

Submit information in annual return

But will it be sufficient?

## How to prepare a reconciliation?



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Neeraj Bhagat is a member of the Institute of Chartered Accountants of India (ICAI) since 1997. He is also an Associate member of Association of International Accountants, United Kingdom. He is founder of Neeraj Bhagat & Co, an Indian Chartered Accountancy firm serving various MNC'S from across the globe. Neeraj Bhagat & Co. has its offices at New Delhi, Gurgaon and Mumbai. They are part of Allinial Global Accounting Association which is one of the World's Top 10 in accounting associations.