

GST RETURN FILINGS

staying ahead in compliances...

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Draft FAQs on GST Audit and Annual Return

Under GST Regulations, every registered person is required file monthly returns and maintain prescribed accounts and records. Further, apart from the regular monthly returns, an annual return in **Form GSTR-9** has to be furnished for every financial year.

However, the format for annual return (GSTR-9) and reconciliation statement (**GSTR-9C**) is yet to be issued by the Government. This is expected to be addressed on priority basis in the next GST Council meeting. However, based on provisions of GST Act and Rules, following inferences can be drawn in respect of the above compliance requirements:

➤ Who is required to file annual return?

Every **registered** person (other than few exceptions such as an Input Service Distributor, a casual taxable person, non-resident taxable person etc), regardless of monetary threshold, is required to furnish an annual return (GSTR-9) for every financial year electronically on or before 31st December following the end of such financial year.¹

➤ Who has to get the accounts and records audited?

Every registered person whose '**aggregate turnover**' during a financial year exceeds Two Crore Rupees shall get his accounts audited by a chartered accountant or a cost accountant.²

Under GST Act, "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Therefore, for purpose of GST Audit of branches, the turnover to be considered is the 'aggregate turnover' as defined above and not the value of outward supply of a branch on a standalone basis.

¹ Section 44(1) of CGST Act read with rule 80 (1) of CGST Rules

² Section 35(5) of CGST Act read with rule 80 (3) of CGST Rules

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➤ **What all compliances are required to be made if the 'aggregate turnover' of a registered person exceeds two crore rupees?**

Every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall submit:³

- Annual Return in GSTR-9;
- Audited accounts; and
- A reconciliation statement in FORM GSTR-9C

➤ **What all accounts and records should be maintained by a registered person under GST Regulations?**

Every registered person shall keep and maintain, at the principal place of business, a true and correct account of:

- Production or manufacture of goods;
- Inward and outward supply of goods or services or both;
- Stock of goods;
- Input tax credit availed;
- Output tax payable and paid; and
- Such other particulars as may be prescribed

➤ **Is maintaining a profit & loss account a prerequisite for every registered person?**

GST Law does not require maintenance of separate profit & loss account for every registered person/ branches. Only accounts and records as specified above are required to be maintained.

➤ **What shall the reconciliation report in GSTR-9C capture?**

Annual Return is a summation of monthly returns. GST Audit is an independent verification of accounts and records (as prescribed) by a chartered accountant/ cost accountant. GST Audit shall not be a mere number matching or vetting exercise but a comprehensive qualitative review of returns including the tax positions taken by the taxpayer on various issues. The objective of the reconciliation report is to reconcile the findings of GST Audit with the Annual Return. In case there are differences or gaps between the findings of GST Audit and GST Returns, the same have to be reported in the reconciliation statement and corresponding tax/ interest or penalty (as may be applicable) is to be paid.

➤ **What is the timeline to make changes in the returns furnished for a particular financial year?**

Any amendments through credit/debit notes or revision of invoices for any financial year must be made before the monthly return of September of the following year i.e. for FY 2017-18 by October, 2018 (timeline for filing monthly return for September 2018).

➤ **What are preparatory steps that taxpayers can take to facilitate GST Audit and Filing of Annual Return?**

- Reconcile monthly outward returns (GSTR-1) with GSTR-3B
- Prepare and maintain accounts and records as required under GST Law (refer FAQ above)

³ Section 35(5) of CGST Act read with rule 80 (1) and 80(3) of CGST Rules

- Prepare reconciliation at entity level between revenue/expenses of GSTINs with company level financial statements (at entity level)
- Target that audit/reconciliation exercise is complete before October 20th, 2018 so that there is sufficient time for revising/amending invoices and for factoring corresponding input tax credit claims

Please note that above FAQs are only draft FAQs subject to issuance of Forms GSTR-9 and GSTR 9C by the Government.

The information contained in this newsletter is solely intended to provide general guidance on matters of interest. Nothing herein constitutes professional or legal advice, nor does any information herein constitute a comprehensive or complete statement of the issues discussed. It is recommended that you seek a professional advice to confirm your understanding on the issues dealt above.