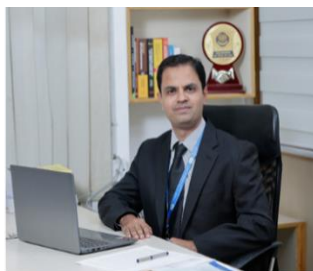


## ***Various Important Reconciliations under Annual Returns - GST Audit Series (Part 8)***



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### **Introduction:**

In any accounting system, there is a need to see that all transactions are accounted completely, accurately and in a timely manner. Under GST, the need to capture the transactions which constitute a “supply” and exclude those which are not supply, is an added requirement. The eligibility of ITC is subject to prescribed conditions. There is a need to pay GST under reverse charge mechanism and then claim the ITC. Compliances like these would require a mandatory reconciliation exercise. The reconciliation statements would be useful for finalisation of books of account, filing of GSTR-9 and GSTR-9C. Various benefits for the auditee by having the reconciliation statements are as follows:

- (a) Identification of the excess or short payment of taxes
- (b) Identification of missed out or duplicated credits
- (c) Identification of wrong type of credits claimed such as CGST/ SGST claimed as IGST or vice versa
- (d) Identification of expenses on which GST under RCM not paid or excess paid
- (e) Ensuring satisfaction of condition of suppliers compliance to claim input tax credit.
- (f) Increase in confidence of the department and statutory auditors with good systems such reconciliation
- (g) Facilitates smooth filing of GST annual return and self-certification
- (h) Ensures that export benefits are not missed out.

The above are only indicative benefits. There are many more. With the advent of technology, it is possible for the auditee to prepare the reconciliation much faster and with more efficiency involving lesser time. Few reconciliation statements which would be useful for regular GST compliance and filing of Form 9 & 9C are discussed hereunder:

### **Reconciliation of supply (after considering the returns) on which output tax is payable**

Add/ Less	Particulars	Total
Add Less	<b>Data as per audited accounts for entity as whole:-</b>	
	Revenue from operations Other Income	XXX XX
	<b>Amount as per financials Comparable Financials for the full FY</b>	<b>XXX XXX</b>
Less	Revenue/Other Income pertaining to other registered/distinct persons: All different State/ verticals/ units turnover as per audited accounts for which separate GSTIN available	<b>(XX)</b>
Less	(a) Revenue items on which output GST is not payable (b) Zero rated supply without payment of tax: Export and supplies to SEZ (Confirm proper procedure followed like valid LUT, Receipt in CFE etc. This would not be applicable for Export under rebate where IGST paid by utilising the credit.) <b>Note-</b> Deemed exports: GST needs to be paid and refund claimed by either the recipient or supplier. (c) Liable to tax under reverse charge mechanism u/s 9(3): Goods and services specified (d) Amount of wholly Exempt Supplies not disclosed in returns. If disclosed no adjustment required, the return figure can be adopted. (e) Partly Exempt Supplies (exempt portion amount): If exempt portion disclosed no adjustment required, the return figure can be adopted. (f) Non-GST supplies: The specified 5 petroleum products and liquor for human consumption unless part of composite supply of taxable goods or services. (g) Not a supply as per the definition of supply: Supplies not in course of business other than in import of services. It may be noted that the supplies set out in Schedule I are deemed supplies. (h) Not a supply of goods or services as per Schedule III: (i) Unbilled revenue (Considering the provisions of Section 13(2) of the CGST Act, 2017) if being accounted (j) Revenue by way of supplies made through agents where tax paid in previous year upon initial dispatch (k) Revenue (tax on advances) against which Time of Supply has occurred in the previous year (l) Any other (please specify)	(XX)
	Adjusted Amount as per financials (in the State) [sub-total]	XXX
Add	(a) Sale of capital assets (b) Advances received in current period (c) Section 15 – Valuation Adjustments <ul style="list-style-type: none"> <li>• taxes, duties, cess etc. levied under other laws charged by supplier</li> </ul>	XXX

Add/ Less	Particulars	Total
	<ul style="list-style-type: none"> <li>• Amount incurred by recipient but liable to be paid by supplier</li> <li>• interest late fee or penalty for delayed payment of consideration</li> <li>• Incidental expenses charged by the supplier</li> </ul> (d) Activities listed in Sch I <ul style="list-style-type: none"> <li>• Write off and disposal of business assets without consideration, if GST credit was availed</li> <li>• Supply of goods/services to related persons/distinct persons</li> <li>• To employees (excluding gifts per employee up to INR 50,000)</li> <li>• Goods dispatched by to agents to the extent sale is not made/recognized</li> </ul> (e) Revenue duplicated in returns. (f) Goods rejection for which credit notes not eligible for tax: Discounts not known at time of supply (g) Any other (please specify)	
Add/ Less	(a) Exchange difference/variation accounted in books separately (b) Profit/loss on sale of(assets)	XXX
	Adjusted financials (in a State) Amount as per Annual Return (in a State)	XXX XXX
	Difference <ul style="list-style-type: none"> <li>• Revenue omitted to be declared in the Annual Return</li> <li>• Reasons for difference</li> </ul>	

In this outwards supply (simple) reconciliation, the interpretation of few aspects required for arriving at the due taxes have not been considered. Some of them are enumerated hereunder:

- Incorrect exemption or incorrect classification leading to no GST payment.
- Incorrect rate adopted leading to short/excess payment of taxes.
- Application of concept of composite, non-composite, or mixed supply
- Whether the IGST or CGST and SGST should have been charged?
- The need to apply the proper valuation under Section 15.

### Reconciliation between GSTR-1 to GSTR-3B

There is a need for the taxpayers to reconcile the differences for turnover disclosed between GSTR-1 and GSTR-3B to ascertain if there is any excess or short payment. In case of excess payment, the same may be adjusted towards subsequent period liability or refund needs to be claimed by the taxpayer. Any short payment is to be made good by payment along with interest payment. The following table could be helpful in reconciliation of turnover between GSTR-1 and GSTR-3B return:

**Table A**

Sl No	Particulars	Total Amount in INR	GST Amount in INR
1	Total outward turnover disclosed in Table 3.1 (a), (b), (c), (e) of GSTR-3B for the tax period .....	XXX	XXX
2	Total outward turnover disclosed in GSTR-1 for the tax period .....	XXX	XXX
	Difference (if any) - reasons to be ascertained	XX	XX

**Table B**

Sl No	Particulars	Total Amount in INR	GST Amount in INR	Remarks
	Total Turnover as disclosed in GSTR-3B Table 3.1 (a), (b), (c), (e) - <b>(A)</b>	<b>XXX</b>	<b>XXX</b>	<b>Remarks</b>
	<b>To be Added:</b>			
3	The invoices which were raised during the tax period not considered while filing GSTR-3B	XX	XX	Creates additional liability
4	The debit notes which were raised during the tax period not considered while filing GSTR-3B	XX	XX	Creates additional liability
5	The credit notes raised during the tax period but not considered in GSTR-1	XX	XX	No additional liability, only disclosure error. Should be disclosed in GSTR-1 within time prescribed under Section 39(9).
6	Short payment of tax due to error in computation of tax while filing GSTR-3B	-	XX	Creates additional liability
7	Payment of IGST instead of CGST and SGST	-	XX	Creates additional liability + file refund for payment made under wrong head
8	Payment of CGST and SGST instead of IGST	-	XX	Creates additional liability + file refund for payment made under wrong head
9	Advance received not considered in GSTR-1		XX	No additional liability, only

Sl No	Particulars	Total Amount in INR	GST Amount in INR	Remarks
				disclosure error. Should be disclosed in GSTR-1 within time prescribed under Section 39(9)
	<b>Sub-Total (B)</b>		XXX	
	<b>To be deducted:</b>			
10	The invoices which were not considered in GSTR-1	XX	XX	No additional liability, only disclosure error. Should be disclosed in GSTR-1 within time prescribed under Section 39(9).
11	The debit notes raised but not considered while filing GSTR-1	XX	XX	No additional liability, only disclosure error. Should be disclosed in GSTR-1 within time prescribed under Section 39(9).
12	The credit notes raised during the tax period but not considered in GSTR-3B	XX	XX	Excess payment of tax, need to rectify within time prescribed under Section 39(9)
13	Excess payment of tax due to error in computation of tax while filing GSTR-3B	-	XX	Excess payment of tax, need to rectified within time prescribed under Section 39(9)
	<b>Sub-Total (C')</b>		XXX	
	<b>Total turnover as per GSTR-1 (A)+(B)-(C')</b>		XXX	

### Reconciliation of ITC

(This would provide credits as per financials and the returns: It should ideally be credit available under law)

Sample Reconciliation Format - ITC for year		
Sl. No.	Particulars	Total
	Input Tax Credit as per Books	xx

<b>Sample Reconciliation Format - ITC for year</b>		
<b>Sl. No.</b>	<b>Particulars</b>	<b>Total</b>
Less:		
A.	Credit relating to other registered persons/distinct persons	
B.	Credit on which input tax credit is not available due to the following:	
i.	ITC used for transaction which are not a supply as per Schedule III or the definition of supply	
ii.	ITC on Inward supplies received from composition suppliers	
iii.	ITC on Goods/services are not used in the course or furtherance of business u/s 17(1)	
iv.	Credit ineligible as the goods/services received are used wholly for effecting exempt supplies (excluding exports)	
v.	Credit ineligible u/s 17(5): On motor vehicles and other conveyances	
Vi	Credit ineligible u/s 17(5): services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft	
vii.	Credit ineligible u/s 17(5): On food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, renting of motor vehicle, life insurance, Health insurance	
viii.	Credit ineligible u/s 17(5): On membership of a club, health and fitness centre	
ix.	Credit ineligible u/s 17(5): On travel benefits extended to employees on vacation	
x.	Credit ineligible u/s 17(5): On works contract services when supplied for construction of an immovable property	
xi.	Credit ineligible u/s 17(5): On goods/services received for construction of an immovable property on own account	
xii.	Credit ineligible u/s 17(5): On goods or services or both used for personal consumption;	
xiii.	Credit ineligible u/s 17(5): On goods lost, stolen, destroyed;	
xiv.	Credit ineligible u/s 17(5): On goods fully written off;	
xv.	Credit ineligible u/s 17(5): On goods disposed of by way of gift;	
xvi.	Credit ineligible u/s 17(5): On goods disposed of by way of free samples;	
xvii.	Credit ineligible u/s 17(5): In respect of tax paid in accordance with the provisions of sections 74, 129 and 130;	
xviii.	Credit not taken as the recipient's GSTIN was not mentioned/mentioned incorrectly	
xix.	Credit reversed u/s 17 (4) for a banking company/financial institution/non-banking financial company	
xx.	Credit not taken as the place of supply is outside the State	

<b>Sample Reconciliation Format - ITC for year</b>		
<b>Sl. No.</b>	<b>Particulars</b>	<b>Total</b>
C.	Proportionate reversal of Credit u/s 17(2): Reversal for exempt supplies.	
D.	Credit reversed u/s 16(2) (d) due to non-payment in 180 days	
E.	Credits which will be taken in the subsequent year	
F.	Credits reversed under protest: This may be due to doubt or direction of revenue	
G.	Any other (please specify)	
	<b>Adjusted ITC Amount as per financials (in the State) [sub-total]</b>	xx
Add:		
A.	Credit u/s 140-143- Transitional where applicable	
B.	Credit available u/s 18 on registration opting out of composition etc.	
C.	Credit reversed due to 180 days now availed.	
D.	Credit on purchase of capital assets	
E.	Credit on prepaid expenses of this year if missed	
F.	<b>Missed credits from the earlier Financial Year</b>	
G.	Adjustments in Valuation Section 15	
H.	Any other (please specify)	
	<b>Final Adjusted as per financials</b>	xx
	Amount of ITC as per Annual Return (in a State)	xx
	Difference if any to be analysed	xx

The reconciliation would need a good understanding of the provisions applicable to ITC. It would also raise many issues which would be the reason for the differences. This statement could also be customised as many aspects may not be applicable to all taxpayers.

Further, it is also important to analyse, on a periodic basis, whether or not the credit has been fully and properly availed and reconcile with the books of accounts. Auditee can perform following additional reconciliations which could aid in implementing a good internal control system to ensure credit claim.

#### **Reconciliation between GSTR-2A/2B and books of account**

GSTR-2A is a dynamic return (changes with every update) results in reconciliation differences. To solve this issue, GSTR-2B has been introduced. It is a static form of GSTR-2A, which is auto-drafted Input Tax Credit (ITC) statement generated for every recipient, on the basis of the information furnished by their suppliers, in their respective Form GSTR-1 & 5 and Form GSTR-6 filed by ISD. This leads to need of one more reconciliation with additional follow up with vendors to upload the details. The following table could be helpful in identifying the differences and reconciling the ITC with books of accounts:

**Table A**

**(Amount in rupees)**

Sr. No.	Particulars	SGST	CGST	IGST	Cess	Total
1	ITC claimed in GSTR-3B as per books of accounts	XXX	XXX	XXX	XXX	XXX
2	ITC available as per GSTR-2A/2B	XXX	XXX	XXX	XXX	XXX
	Difference (if any) - reasons to be ascertained - refer Table B	XX	XX	XX	XX	XX

**Table B**

**(Amount in rupees)**

Sr. No.	Particulars	CGST	SGST	IGST
1	ITC available as per GSTR-2A/2B in rupees for the tax period ..... (A)	XXX	XXX	XXX
	<b>To be added:</b>			
2	ITC availed, but invoices are not been uploaded by the supplier for a. Not filed the return b. Filed returns - but uploaded as B2C instead of B2B	XX	XX	XX
3	ITC availed on import of goods			XX
4	ITC availed on import of services			XX
5	ITC availed on self-invoice - Section 9(3) & 9(4) if supplier has not uploaded w.r.t 9(3)	XX	XX	XX
6	ITC availed as CGST & SGST, whereas uploaded by the supplier as IGST	-	-	XX
7	ITC availed on debit notes, but not been uploaded by the supplier	XX	XX	XX
	Sub-total (B)			
	<b>To be deducted/reduced:</b>			
8	ITC availed on the invoices of previous tax period	XX	XX	XX
9	Ineligible ITC not availed by the taxpayer	XX	XX	XX
10	Restricted under section 17(5) of CGST Act, 2017	XX	XX	XX
11	ITC availed as CGST & SGST, whereas uploaded by the supplier as IGST	XX	XX	-



Sr. No.	Particulars	CGST	SGST	IGST
12	ITC availed as per invoice, error in taxable value uploaded by the supplier. Ex: ITC claimed as per invoice INR 1500/- ITC uploaded by the supplier is INR 1200/- (error in uploading taxable value)	-	-	XX
13	Invoices uploaded by the supplier, but ITC is not availed by the taxpayer - to be availed within time limit prescribed in Section 39(9) of CGST Act, 2017	XX	XX	XX
	Sub-total (C)			
	<b>ITC as per Books of accounts [(A)+(B)-(C)]</b>			

### Exports reconciliation

Export of goods or services or both under GST is treated as Zero Rated supplies and accordingly in terms of provisions of Section 16 of the *IGST Act, 2017* supplier can either opt for exporting of goods or services without payment of taxes wherein refund can be for the input tax credit used in supplying such goods/services. Alternatively, supplier can opt for exporting goods/services with payment of taxes wherein the amount of output tax paid (in cash and by utilisation of credit) can be claimed as refund. Various reconciliations required in the context of export of goods/services are discussed further.

#### A. Reconciliation with Table 6A of GSTR 1

Export sales as shown under zero rated supplies should match with the amount of export sales shown in table 6A of GSTR-1. As per table 3.1(b) of the GSTR 3B tax payer needs to show the zero rated supplies which includes the supplies made to the SEZ also. However, tax payer would show only exports in the table 6A of GSTR 1 provided that supplies which are shown in the GSTR 1 should not exceed the supplies which are shown in the GSTR 3B. Hence it required to reconcile and match exports as per GSTR 3B is matching with the table 6A of GSTR 1.

#### B. Reconciliation with shipping bill

Shipping bill is a mandatory requirement to be filed with the custom authority for any exports of goods from India to a place outside India wherein he mentions the details of the export such as invoice number, date and value of goods exported etc. Hence tax payers can cross verify the exports as per books with the shipping bill. This is traditional way of reconciliation of the books with the shipping bill documents.

#### C. Reconciliation of export Invoices and BRCs/FIRCS

Another traditional way of the reconciliation of the exports is with the reconciliation certification received from the banks. Bank issues these certificates shipping bill wise, hence it helps the assessee for the reconciliation of the exports with the realisation certificates received from the bank. Further, FIRC's are issued for every remittance received in the convertible foreign exchange. Since, one of the conditions for a transaction to be called as an export is that the monies must be received in the convertible foreign exchange

therefore this reconciliation also helps in establishing remittance in foreign exchange and thereby claiming a refund of taxes paid.

#### **D. Reconciliation with Export General Manifest (EGM) data at ICE GATE**

Export General Manifest is a legal document mandatory to be filed by carrier of goods with customs department. This document is used by government authorities as proof of export. Assessee can match the exports made during the particular period with the details at the ICE GATE.

#### **E. Reconciliation with the E-way bills generated**

This is the new source for reconciliation in GST era. E-way bill is one of the tools which is used for the monitor the movement of goods to check the tax evasion in GST. E-way bill needs to be generated even for the export of goods which are required to be transported up to port (Airport/sea port) from where goods are being exported. While generation the E-way bill assessee are required to give the invoice wise details. Hence now assessee are required to reconcile the details of the as per E way bill portal with the books.

#### **Refunds reconciliation**

As far as the refund is concerned, a complete and proper reconciliation and the account of the refunds applied for, sanctioned, pending, and rejected must be kept. This would also enable focus on this area which at times is ignored due to the difficulty in getting the refund in the past. The same must also be matched with the entries passed in the books of accounts. The tracker can be maintained in the following format to track the refunds.

<b>Relevant Period</b>	<b>Refund Applied</b>	<b>Refund Sanctioned</b>	<b>Refund Rejected</b>	<b>Refund Received</b>	<b>Refund Pending</b>
mm/yyyy					
mm/yyyy					
mm/yyyy					
mm/yyyy					

#### **Reconciliation of input/output invoices with books of accounts**

Assessee should reconcile the books with the dockets. This is one of correct and concrete way that the input tax credit reconciliation. This reconciliation helps assessee in timely correction of the inconsistencies. Various differences include instances such as credit claimed in the incorrect GST account, incorrect place of supply, improper type of credit availed viz., CGST & SGST instead of IGST or vice-versa. Based on the extent of internal controls, the number of invoices to be reconciled has to be determined and must be carried out.

This reconciliation can also be performed in respect of the claim of refunds viz., claim on output refund or input refund or interest refund for delayed refunds. It is pertinent to note that the claim of refund be rejected if the credit is availed on the expenses which are not eligible to be availed or is availed without any proper document as prescribed under Rule 46 of the GST Rules.

### **Reconciliation with electronic credit/ liability ledger**

Assessee must continuously match the details of taxes as appearing in the electronic liability ledger and electronic credit ledger with the details of taxes as disclosed in the Duties & Taxes ledger in the financial statements such that the same is matching. Further, any differences therein must be reconciled in a timely manner and the adjustment to be given effect.

It is also important to match the amount of taxes paid in cash effecting the cash in Hand/Bank ledger in the books of accounts with the monies as deposited in the electronic cash ledger and the mis-matches if any must be scrutinised. This can also assist assessee in timely claiming the refund of excess cash deposited in the electronic cash ledger.

Further, before applying of the refund, assessee needs to reconcile the amount of the input tax credit as per input tax register should match the input tax credit as per electronic ledger of the assessee. Every month while filing GSTR 3B assessee provides the details of the input tax credit in the return. Therefore, before applying assessee should match the books with the portal (i.e., credit ledger of portal) and at the time of applying the refund, the value for which the refund claim is applied needs to be debited in the electronic credit ledger and the proof of such debit needs to be submitted along with the application for refund.

### **Other reconciliations**

The focus of the revenue on tax evasion and leakage in the coming months would be very high due the following practices:

- (a) Tax payers not filing GSTR 3B returns after payment of taxes due and only filing GSTR-1.
- (b) Registered tax payer not filing either GSTR-1 or GSTR- 3B.
- (c) At times using one E-way bill for movement of multiple supplies.
- (d) Not accounting for the supplies in their books.
- (e) Procuring invoices without any supply.
- (f) Under invoicing quantities/values to unregistered buyers and over invoicing to registered buyer.
- (g) Year-end entries to boost the turnover with or without payment of GST.

The assessee may need to examine for those registered the stock register against the dispatches and guard against fraud in these areas. This may require various reconciliations including stock to delivery challans/invoices.

***Views expressed are strictly personal and cannot be considered as a legal opinion in case of any query. For feedback or queries email us at [mahadev@hiregange.com](mailto:mahadev@hiregange.com), [ravikumar@hiregange.com](mailto:ravikumar@hiregange.com) or [yash@hiregange.com](mailto:yash@hiregange.com).***