

September 9, 2019

To,

**Sh. Yogender Garg**

Principal Commissioner,

GST Policy Wing, CBIC

Ministry of Finance,

North Block, New Delhi-110 001

**Reg: Representation on Annual Return and GST Audit**

Respected Sir,

At the outset we thank the government for giving due consideration to the problems faced by the taxpayers in filing of their Goods and Services Tax ("GST") Annual Return. GST is believed to be a good and simple tax. The tax regime was believed to be simple in terms of understanding and compliance. Originally, the system of GSTR 1, GSTR 2 and GSTR 3 was envisaged by the Government but was never implemented. This was in response to the request of the trade and over the period of last two years, the Government has been responsive to the issues of the trade and has reduced the details required in monthly return. Finally, the Annual Return and Audit Forms were released in GSTR 9 and 9C. The forms are calling for detailed information which is found to be a bit complex in compliance.

Sir, we humbly submit our suggestions in respect of GSTR 9 and 9C so as to reduce the issues and to ensure faster compliance of the two forms.

**Suggestions in respect of Form 9:**

At the outset, we humbly submit that Form GSTR 9 which is the Annual Return is supposed to be the summary of all supplies made by a taxpayer during a financial year and should be simpler in terms of compliance. We humbly submit our point wise suggestions as under:

## **1. Input Tax Credit**

- Details of inward supplies may be declared without requirement of value breakup between Input, Input Services and Capital Goods.
- Being the first year, certain assesses had reported net figures of ITC (net of reversal) in GSTR 3B. It is humbly submitted that in case any person has reported net figures in availment column (net of reversal), it may be clarified that he can show the details in Annual return.
- Figures of TRAN 1 and TRAN 2 may be auto populated from respective forms.
- It may be further clarified that any reversal of ITC which required to be made but was not made during the relevant period in FY 2017-18 can be made in Table 7 in GSTR 9 and its tax can be paid through DRC 03.

## **2. Other Information**

- Requirement of Table 15 and 16 may be made optional for FY 2017-18 as such details are cumbersome to assimilate after two years.
  - o Table 15 requiring details of demands and refunds may be made optional as such details are already available with the department as the entire process is online. Further, the demands are also to be issued online and thus, no new details may be called.
  - o Table 16 requires information in relation to supplies received to Compositions Supplier, Deemed Supply under Section 143 and details of goods sent on approval basis. In this regard, it is humbly submitted that such details of purchases from Composition supplier are not readily available and thus, segregating them from the detail of all non ITC purchase would require resources on part of every taxpayer. Further, this does not have any revenue implications as no ITC has been availed on such purchases by the taxpayer. In relation to Deemed supply under Section 143, it is humbly submitted that this provision shall be effected only when one year has passed from the date of sending goods to the job worker. As on 31.3.2018, one year was not complete since introduction of GST and thus, there cannot be any deemed supply under this Section and thus, this is not required. In terms of goods sent on approval basis, the information calling may be relaxed for the first year and no such detail was maintained specifically for reporting purpose.
- In Table 18, details of HSN for inward supply may be made optional for FY 2017-18 as no such data was maintained by the taxpayers and assimilating this kind of detail requires invoice level data mining at this stage. This is more like re accounting for FY 2017-18.

**Suggestions in respect of Form GSTR 9C:**

**1. Cash flow statement requirement (Part B of GSTR 9C):**

There is a requirement to attach cash flow statement with form GSTR-9C. It is not mandatory for most of the entities to provide cash flow statement as part of their audited financial statements. Further, Cash flow Statement is also not a prescribed record or detail under GST law and thus, the requirement of Cash flow Statement as part of GSTR 9C may be made optional.

**2. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9) (Para II, Table 5):**

Part II of the Form 9C is reconciliation of turnover declared in audited financial statement with turnover declared in GSTR-9. The turnover as mentioned in the Audited Financial Statements is consolidated turnover from all the states. However, the GSTR 9C is to be prepared individually for each GST registration under the same entity. Items which are mere year end accounting adjustments in books of accounts as per the accounting policy adopted by the assessee, should be allowed to be reported in a consolidated manner in any GSTIN, especially, that of Head office of such multi GSTIN entity. The same facility be extended to turnover of April to June 2017 as such turnover may not be available with many assesses GSTIN wise especially service providers having centralised registration.

**3. Reconciliation of tax paid (Table 9):**

Table 9 of GSTR 9C is reconciliation between tax payable as per books of Account and Tax paid as declared GSTR 9. GSTR 9 allows declaration of additional taxable turnover or reduction in ITC, resulting in payment of additional tax liability. Such additional tax liability can be paid through DRC 03 before filing of GSTR 9C.

Table 9Q of GSTR 9C requires provision of details of tax paid as declared in table 9 and table 14 of the GSTR 9. Currently Table 9 of the GSTR 9C has no row to declare tax paid through DRC-03 and same is also not included in table 9Q. Thus, it is humbly submitted that there is need to allow addition of amount paid through DRC 03 at the time of submitting GSTR 9 to reflect tax paid through DRC-03.

**4. Reconciliation of Input Tax (Table 12):**

Table 12 of the form GSTR 9C requires provision of ITC reconciliation with books of accounts. It requires culmination of details from books of accounts as to how much credit is availed

therein and how much of it is availed in the returns filed by the Assessee. It is humbly submitted that such detail requires huge resources as every debit entry of availment in books of accounts has to be examined and the availment may happen in many ledgers. Thus it would require the auditor to examine all such ledgers thoroughly. Thus, while it is more to do with the accounting process and serves no specific purpose under the GST statutes, such details may be made optional for FY 2017-18. The eligibility of ITC is even otherwise called for in Table 14 of GSTR 9C.

#### **5. Reconciliation of Input Tax (Table 14):**

The ITC as availed under the different heads of expense as recorded in the books of account is to be reconciled with ITC as claimed in the Annual Return (Table 14). Taxpayers had not maintained such expense wise ITC accounts as such details were not required in the return forms. Compilation of these details entails almost to re-writing of books of account for ITC. Thus, it is humbly submitted that the requirement of checking availability of ITC availed may be taken in a single line and such breakup may be made optional for FY 2017-18. The auditor may be allowed to provide the total ITC availed and ITC eligible in a consolidated manner.

Sir, we shall be obliged if your goodself can consider our representation on behalf of all members of Society for Tax Analysis and Research("STAR"). Our Society is a 'not for profit' Society which aims to disseminate proper information of tax to masses and to act as a catalyst between government and taxpayers and other stakeholders in bringing an efficient, transparent and corruption free nation. We trust our suggestions would find space in your consideration.

Thanking you

Yours faithfully

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