

E-circular dated 25th June 2018

Integrated Association of Micro, Small & Medium Enterprises of India

www.iamsmeofindia.com

E-mail: info@iamsmeofindia.com, +91-9711123111 (Executive Secretary)



Rajive Chawla
Chairman, iamSMEofIndia

Proud to say
iamSMEofIndia



Sangeet Kr Gupta
Hon. Consultant,
iamSMEofIndia

Dear Members,

We are all embracing our
First ever Balance Sheet
with the
“fragrance” of GST



GST



As progressive Entrepreneurs,
The members of

Proud to say

I am SME of India

are already on their mark, and ready to Get-Set-Go
for a **“GST- Ready” Balance Sheet**



So, here we are, with the
Do's and Don'ts of Balance Sheet for 31st March 2018 Balance Sheet
For our members, and for the Growing Businesses, all across
India.

Point no 1 : Year to Two Tax Regimes

Prepare both reconciliations, old laws for first 3 months, and new GST after that.

First 3 months :	Service Tax, Excise, VAT	Yes
Next 9 months :	GST	Yes

Point no 2 : Reconciliation of “Sales” : GST return vs P & L A/c.

At first glance anybody will say, that these must match.
But the fact is that in 99% of the cases, this will NOT MATCH
And cannot Match.

Reasons are :

1. Inter-State Sales to your own plant or depot or branch, is Sales under GST, but not in Companies Act / Income tax act
2. Inter State Purchase is Purchase under GST, but not in Companies Act
3. Sale of old Machinery / Sale of old any other fixed assets
4. Treatment of Purchase Returns vs Sales invoices made for them (if any)
5. Treatment of Debit Notes / Credit Notes

Point no 3 : Reconciliation with GSTR-1 with GSTR-3B

The GST Auditor will ask for this Matching at first. But, If your July to October 2017 returns are “matching” you are one of the rare lucky people. Since there were many issues in understanding and in the softwares at that time.

And if you are not, then better create Spreadsheet Summary of the 9 months GSTR3B and GSTR1. And the “9 month” totals must match. Match with books. And match with each other.

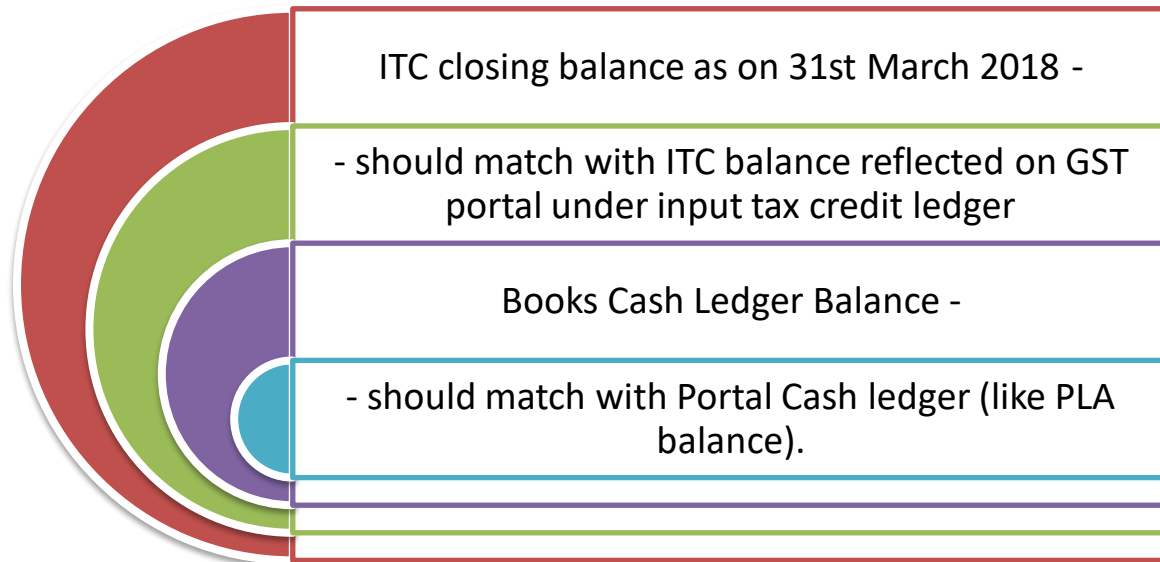
In case, they still don’t match, make a reconciliation, with logics

Point no 4 : Reconciliation with GSTR-9

By far, the easy and most logical comparison should be with GSTR-9. (Annual GST return)
Prepare your Annual return right away. And see that it matches with the books as nearly as possible. Or is reconciled with books with logical reasons.

Point no 5 : Reconciliation with Portal for ITC Closing Balance

Normally speaking if all bills came in time, were processed in time and no bill came after your GSTR-3B of April was filed, then(again a very very rare company).....
Then,



But, if you are a “normal” mid size MSME, you will usually have this as “non-matching” - There will be some differences, **due to bills that came late**, or were passed late.

Now the “Safe” solution for you would be, to create two ledgers in your books

- **ITC – “Credit Ledger.”** – for the ITC balance that matches the GST online Portal
- **ITC – “Receivable A/c.”** -- which could not be uploaded last year, and will use next year

Point no 6 : Reconciliation with ICEGATE Portal for ITC on Imported Goods

Government system has started matching of IGST value of a particular month reported in GSTR3B (under IGST credit on imported goods) with IGST value reflected on ICEGATE portal.

This value may not match due to certain reasons, mainly in case of **month end import consignments**. In such a case, reconciliation with IGST value as reflected on ICEGATE portal is going to play a vital role.

Point no 7 : Negative List u/s. 17(5) – Check this properly

As you finalise the Balance Sheet, and GSTR-9,

it is advisable to go through the “negative list” given u/s 17(5) of CGST Act, 2017.

Example are GST is not available on :

- a) On Expense for Construction of any Building,
- b) On Purchase of Passenger Cars

- c) Food and beverages
 - d) Outdoor catering
 - e) Rent a cab services
 - f) Goods given free , stolen, destroyed, given free samples
 - g) Life insurance / health insurance
- (* Conditions apply for Do's/Don'ts, in most of these points above.)

Point no 8 : Check the “Place of Supply”

Place of Supply is important in defining whether the tax is IGST or CGST/SGST

So, of course you must see this for all

Verification is especially advisable mainly in cases where “Bill To” / “Ship to”, transactions. And in case of billing of services to unregistered persons.

Point no 9 : Check the “Other incomes in P and L Account”

Please see every transaction in the Other income category. And see if any of them falls in the GST net. If yes, please pay, example : Penalty to Vendors or workers.

Point no 10 : Do not avail, GST ITC on the FOC Supply

As per Section 17(5) of the CGST Act, the ITC equivalent to the Free samples supply is to be reversed. So, to make this process easy to administer, most companies, rather charge GST and make a FOC invoice. The customer does not have to pay anything, but Government gets the GST.

In such cases, if you are the customer, there is no question of paying anything to the Vendor, hence the GST input should also not be taken. This stands even if ITC comes automatically, in your GSTR-2A return.

Point no 11 : Reverse Charge Topic of GTA and Advocates etc

Just like in previous years, the RCM is applicable on some services like

- (a) Goods Transport
- (b) Advocates

So, see your trial balance, see the relevant ledgers, and reconcile them with your GSTR-9 return. (Yearly GSTR-9, is the easiest at this stage).

Point no 12 : Reverse Charge Topic of Import of Services etc

Just like in previous years, the RCM is applicable on Import of services like

- (a) Payment to technical team that came from China/Taiwan/ Germany etc for repair and overhauling of your machinery
- (b) Payment of Softwares or online services directly to a non-resident abroad.

So, such import of services also fall under GST – RCM. Please arrange payment. Take ITC credit immediately thereafter in the current month. Net loss = Nil , except the interest for late payment, if any.

Point no 13 : Supply of Free Services to Branches / Plants in other states

This is also covered in section 17(5). Hence it is best to bill to the site offices / factories in other states in the proportion as required. (* Contact the authors for additional information, if required)

Point no 14 : Non Payment to Creditors for X>180 days

As per Section 16(2) of the CGST Act, 2017, company is required to make payment of basic value plus GST to the supplier within 180 days from the date of tax invoice.

It may be noted that if such payment is not made the ITC availed against such tax invoice is required to be reversed along with interest.

Are you ready ? Get ready please.

Point no 15 : Recovery from employees

Payments like recovery for Canteen expenses, notice pay, mobile exp, transport expense etc would attract GST. Such recovery is to be treated as outward supply and GST is applicable at the appropriate rate. However, since employer-employee are related parties, even the valuation will play a vital role.

Point no 16 : Sale of Used Cars

In case of sale of used cars, Compensation Cess was required to be paid apart from GST. Such Compensation Cess was payable upto 24th December 2017. I have observed that many companies have paid GST at appropriate rate at the time of sale of company owned cars however, Compensation Cess has remain unpaid. [Note : Notification No. 1/2018-Compensation Cess (Rate)]

Point no 17 : Reversal of GST on advance of July to Nov 2017

In July to Nov 2017, GST was required to be paid even on advance receipts. Later withdrawn.

Please check, if you have reversed the same in the month you invoiced to the party.

If not, do so, now.

Point no 18 : Reversal of GST on write off, of Goods

As per Section 17(5)(h) of the CGST Act, 2017, if any company writes off any value of goods (whether raw material or WIP or finished goods), in such a case, respective ITC needs to be reversed.

Point no 19 : Are you selling any “Exempted goods/services” – Reverse ITC

If you sell both GST and non-GST goods, then ITC on common goods and services will be reversed proportionately. Please do.



If you are not sure about the above, then please contact the association office, or your friendly CA firms, and get your records checked on the above points. Better safe, than Sorry.

< end of the writeup >

For queries, suggestions and feedback , you can e-mail us



Proud to say
I am SME of India

Sangeet Kumar Gupta, FCA, DISA, ACMA, PGDMM, B.Com(Hons), Honorary Consultant, Integrated Association of Micro Small and Medium Enterprises of India and Faridabad Small Industries Association, 93126-08426, Camp Off : TB-06, 3rd Floor, Crown Plaza, Sector-15A, Faridabad, Haryana 121007 skgupta[at]finsys.in

I am SME of India Office ... I-am-SME Habitat Centre, B-1/21, Sector 11, Mathura Road, Faridabad

Subscription to our newsletters/ e-circulars

Please send your details, and request e-mail to info@iamsmeofindia.com / skgupta[at]finsys.in

for Discontinuation of this E-mail

To discontinue receipt of e-mails from the author, please reply mentioning "Discontinue" in the Subject.

Notes & disclaimer

The contents of this circular are for Private circulation & intended for the addressee/s only. We do not warrant that this email is free of mistakes, errors or any other defect. Care has been taken to provide authentic information, but it is advisable to confirm/verify with qualified legal practitioners, professionals before implementing any suggestions. The views expressed are not necessarily those of the Association. We encourage readers, our Members to write to us their opinions, suggestions, ideas, comments, thoughts and bring to our knowledge mistakes, omissions etc. which we'd be pleased to correct/implement.

For personalised suggestions, and solutions, contact our I am SME of India Team and Consultants

Our sponsors :

Proud to say
I am SME of India



United Nations House, New Delhi

Addressing Session on : Mission greening and modernizing small industries

Proud to say #IamSMEofIndia 



Advert :

Our Member unit, **Finsys Infotech Limited** was recently covered in an International Magazine, Packaging South Asia,

See : <https://packagingsouthasia.com/finsys-infotech-on-an-aggressive-growth-drive/>

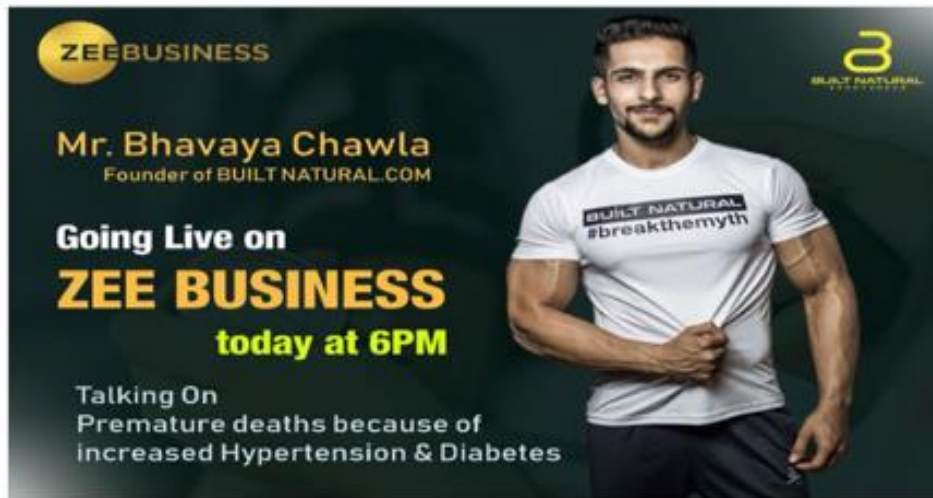


Delhi-NCR based Finsys is a leading ERP solution provider to the printing and packaging industry. Enterprise Resource Planning (ERP) is a management software designed to ease and manage businesses and also automate many back office functions such as technology, service and human resources. The company serves all sub parts such as flexible packaging, corrugation, paper bags, stationary and lamitubes.

TGI Corrugation Packaging Limited, a company situated at Sriperumbudur in Chennai was such company that implemented ERP throughout its plant. Prem Industries in Ghaziabad, Uttar Pradesh is a similar success story. The company went on to integrate the location of their stores as well. This resulted in obtaining proper data of every reel, every shipment including its packaging and sorting on the user's mobile phone. The solution turned out to be convenient for the customer and helped the company churn out profits in large numbers.

<https://packagingsouthasia.com/finsys-infotech-on-an-aggressive-growth-drive/>

Our member, Mr Bhavaya Chawla and his new venture, M/s. Built Natural, which include the movement towards Plastic Ban and Alternative uses of Waste Plastic, was covered in Zee Business twice in last fortnight.



The Launch of Go Green Movement for MSMEs & Presentation of Swachh Shree Awards by Dr. Arun Kumar Panda, Secretary MSMEs, Govt. of India , Proud to say IamSMEofIndia IN, The Photo shows Dr Panda with Chairman, Mr Rajive Chawla, and the awardees.



<https://www.facebook.com/profile.php?id=631552371>

I-am-SME-of-India invites you to remain connected on Emails, our Whatsapp Groups and our Facebook page ! www.iamsmeofindia.com

E-mail: info@iamsmeofindia.com, +91-9711123111 (Executive Secretary).