

Litigation Management through effective reconciliations

CA Pralhad Mandhana

Litigations in GST

Scrutiny Notice in
ASMT-10
(u/s 61)

Department Audit
(u/s 65)

Inspection, search
and seizure
(u/s 67)

Show Cause
Notices
(u/s 73/74/74A)

Preparation and analysis of appropriate reconciliation may:

- ▶ **Help in correct reporting to avoid issuance of notices**
- ▶ **Help is prompt and precise reply in case of issuance of notice**

Coverage

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Output-side reconciliations

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RCM related reconciliations

3

Input-side reconciliation

4

Check-points for annual return

Output Side Reconciliations

Revenue Reconciliation

Reconciliation Focus

Revenue as per Books/Financials Vs Revenue as per GSTR-1/3B Vs Revenue as per GSTR-9

Frequency

- Monthly PTD reconciliation at the time of filing GSTR-1/3B
- Monthly YTD reconciliation post-filing of GSTR-1/3B
- Annual reconciliations before finalisation of books of accounts
- Annual reconciliations after finalisation of books of accounts

Key Litigation Risks

- System triggered notices (ASMT-10): Correct reporting in returns lowers the risk
- possibility of system-generated notices due to unreconciled difference in Table 4 of GSTR-9C
- GST Departmental audit: Ready reconciliations help to tackle audit observations arising due to:
 - i. Comparison with ITR/Financials
 - ii. Other income (Scrap sale, asset sale, balances written back)
 - iii. Exempt income (sale of securities, sale of land)
 - iv. Compliance of provisions related to sale of asset
 - v. Unbilled and unearned income check point: Closing of previous year = Opening of current year
 - vi. Prior period income/exceptional items



Output Liability Reconciliation

Reconciliation of

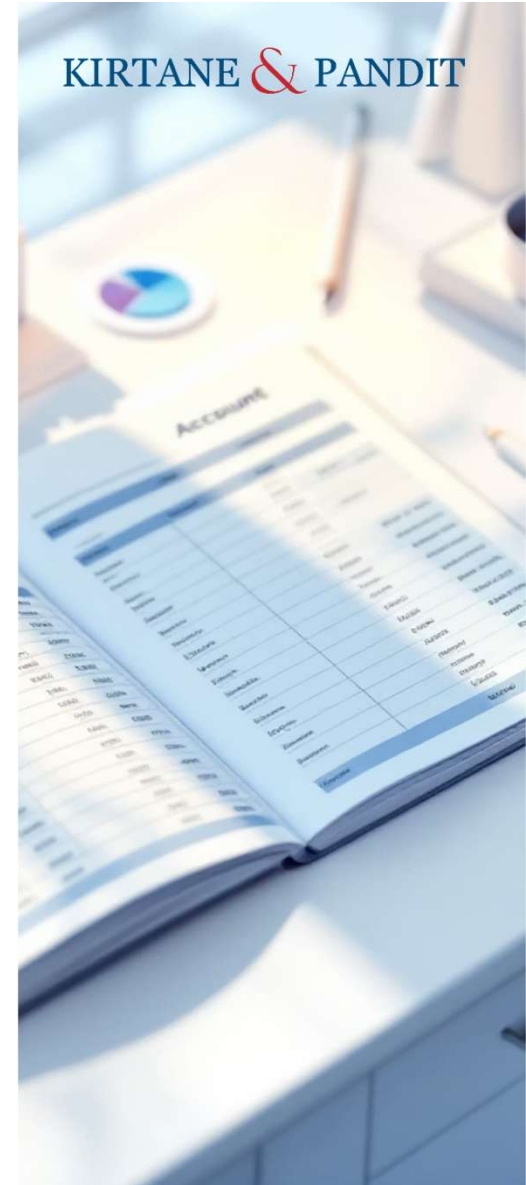
Liability as per books of accounts Vs Liability as per GSTR-1/3B Vs Liability as per GSTR-9

Frequency

- Monthly PTD reconciliation at the time of filing GSTR-3B
- Monthly YTD reconciliation post-filing of GSTR-3B
- Annual reconciliations before finalisation of books of accounts- To pass necessary correction entries before closure of books
- Annual reconciliations after finalisation of books of accounts- Before filing of GSTR-9 & 9C

Key areas to focus

- Balances of Output GST Payable GL considered for reconciliation = Balances appearing in Trial Balance for the said account
- Transfer, payment and utilization entries
- Identification and detailed analysis of practices such as sales return treated as purchase and purchase return as sales for accounting of GST



E-invoice & E-way Bill Reconciliation

- ❑ Discrepancies between e-invoice/e-way bill data may result in issuance of scrutiny notices in Form ASMT-10.



E-invoice Reconciliation

E-invoice Vs GSTR-1/GSTR-3B/GSTR-9

- Extra e-invoices not appearing in GSTR-1
- Mismatch in value/GSTIN/document type
- Root cause analysis of cases where E-invoice is not generated



E-way Bill Reconciliation

E-way bill Vs GSTR-1/GSTR-3B/GSTR-9

- Extra e-way bills for which supply is not appearing in GSTR-1
- Mismatch in details (Taxable value, tax amount, invoice details, etc)
- Root cause analysis of cases where E-way bill is not generated

FIRC/BRC Trackers

Export Services

Essential for export of services (with/without payment of IGST)

FIRC tracking & data maintainence

FIRC/BRC number and date to be plotted against export invoices at the time of preparation of work-papers during GSTR-9



Export Goods

Essential for export of goods (in case of refund)

Audit & Compliance

Possession of FIRC/BRC crucial in case of Departmental Audit.

Non-submission may result in demand for full tax liability with interest and penalty

Acknowledgement of SEZ Supplies

Ensure receipt of endorsement certificates from SEZ customers for all supplies

Maintain records for verification during Departmental Audits



Map endorsement statuses against invoices during GSTR-9 preparation

Failure to submit endorsements may lead to tax liability, interest, and penalties

GSTR-1 and GSTR-1A Vs GSTR-3B

**Helps to tackle notices in Parameter-0070:
Excess outward tax in GSTR-1 compared to GSTR-9/GSTR-3B**

**Monthly reconciliations to be prepared before filing
GSTR-3B
Open differences to be closed preferably before
filing GSTR-3B of March**

Possible reasons for difference in GSTR-1 and GSTR-3B:

- Reporting of B2C invoices as B2B
- Rejections in IMS
- Timing difference in reporting of liability in GSTR-1 and GSTR-3B
- Reporting under incorrect category (SEZ supplies reported as Outward Supplies instead of Zero Rated supplies in GSTR-3B)
- Reporting under incorrect tax head (IGST reported as CGST/SGST and vice versa)
- Typographical errors

RCM Related Reconciliations

Approaches to RCM Reconciliation

RCM liability- GSTR-2B Vs GSTR-3B

Notices received in **Parameter 0077** of ASMT 10 : Less RCM liability disclosed in GSTR-3B than shown by suppliers in GSTR-1

Vendor communications to be initiated in case of excess invoices appearing in GSTR-2B but not booked in accounting system.

Trial Balance Scrutiny

Identification of new account heads falling in the ambit of RCM

Analysis of already identified account heads in order to ensure completeness in payment of RCM liability

Analysis of credit card/ bank statements

Officer may ask for bank statements/ credit card statements during the course of Audit u/s 65

Analysis of these documents before filing GSTR-9 is useful in early self-assessment of any omissions w.r.t RCM liability

RCM liability Vs RCM ITC

Notices received in **Parameter 0083** of ASMT 10 – Excess RCM ITC in GSTR-9 than RCM liability shown in GSTR-9

System generated statement of RCM liability paid Vs RCM ITC availed to be checked periodically

Reconciliation of expenditure in foreign currency

This information is disclosed in notes to accounts / Director's Report

Common check-point by Tax Authorities during Audit u/s 65

Reconciliation of related party transactions

Comparison of amount paid to foreign related parties (other than purchase of goods) as disclosed in financial statements vis-a-vis amount considered for payment of tax under RCM for import of service

Checking completeness of payment of RCM liability on director sitting fees

Vendor-wise reconciliation

Vendor-wise comparison of expenditure on which RCM liability is paid vis-a-vis expenditure booked for the said vendor in accounting system

Expenditure in foreign currency is to be mapped against expenditure on import of service on which tax is paid under RCM to identify any omissions or gaps

RCM liability- Books Vs GSTR-3B

RCM liability as per books of accounts (matching with trial balance) vis-a-vis RCM liability paid in GSTR-3B

Input-side Reconciliations

Input Tax Credit (ITC) Reconciliation



Reconciliation of

- ITC as per Books of Accounts Vs ITC as per GSTR-3B
 - Helps to tackle **Parameter 0219** of ASMT-10: Unreconciled ITC in Table 12 of GSTR-9C
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Frequency



- Monthly PTD reconciliation at the time of filing GSTR-3B
 - Monthly YTD reconciliation post-filing of GSTR-3B
 - Annual reconciliations before finalisation of books of accounts: To pass necessary correction entries before closure of books
 - Annual reconciliations after finalisation of books of accounts: To be reported in GSTR-9C
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Key areas to focus



- Balances of ITC receivable GL considered for reconciliation = Balances appearing in Trial Balance for the said account
- Transfer, utilization and other journal entries
- Detailed reasonings to be mentioned for unreconciled differences in Table 12 of GSTR-9C
- This reconciliation should also include ITC pertaining to import of goods, RCM and ISD

GSTR-2B Vs GSTR-3B Reconciliation



Reconciliation of

- ITC availed in GSTR-3B Vs ITC as per GSTR-2B Vs ITC as per Table 8A
- Helps to tackle notices in **Parameter-0073**: Excess ITC claimed in GSTR-3B/GSTR-9 which is not confirmed in GSTR-2B or Table 8A of GSTR-9

Frequency



- Monthly PTD reconciliation at the time of filing GSTR-3B
- Monthly YTD reconciliation at the time of filing GSTR-3B
- Annual reconciliations before filing GSTR-3B for the month of November to avail ITC pertaining to previous FY
- Annual reconciliations with Table 8A for reporting in GSTR-9C

Key areas to focus



- Monthly check point: **ITC availed in Table 4(A)(5)- ITC disclosed in Table 4(D)(1) = ITC available as per GSTR-2B**
- Reconciliation must be prepared at invoice-level and not on a totality basis
- Identification of difference between GSTR-2B and Table 8A
- Reversal of ITC pertaining to credit notes appearing in GSTR-2B

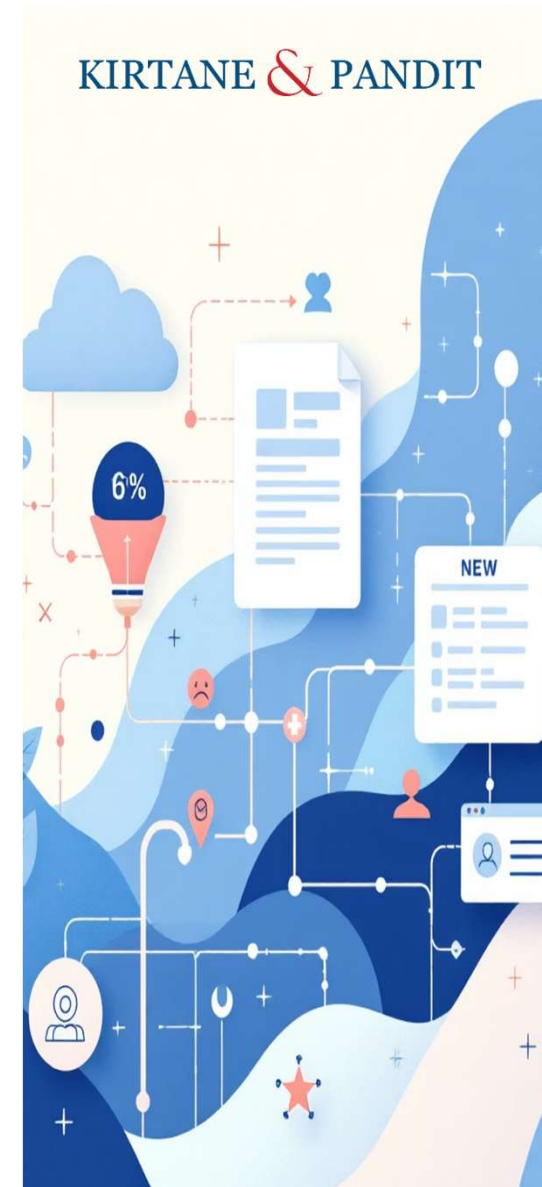
Other Reconciliations

Import of goods reconciliation- GSTR-2B Vs GSTR-3B/9

- Relevant for **Parameter-0081** of ASMT-10: Excess IGST on imports shown in GSTR-9 Vs ICE GATE data
- Import of goods ITC not appearing in GSTR-2B: Bill of entry copies must be scrutinized to ensure correct availment of ITC. Such transaction may be fetched in GSTR-2B from ICE Gate Portal using facilities available on GST Portal
- Import of goods ITC appearing in GSTR-2B but not availed in GSTR-3B: Disclosure in Table 8H1 of GSTR-9 (Import of goods ITC availed in next FY)

ISD Reconciliation

- Relevant for **Parameter-0082 of ASMT-10**: ISD ITC availed in GSTR-9 Vs ISD ITC appearing in GSTR-2B
- Reconciliation of ITC availed in GSTR-6 Vs ITC appearing in GSTR-6A
- Credit notes appearing in GSTR-6A to be analyzed for possible reversal



Annual Return and Reconciliation Statement

New Reporting format of ITC in GSTR-9 & relevant checks

The new reporting format of ITC in GSTR-9 was made effective from FY 2024-25

The reporting in new format must be approached with due care as it would be source prompting litigation prospectively

Refer to the breakdown below for a concise overview of the essential GSTR-9 reporting tables:

Table	Particulars
6A1	ITC for previous FY claimed in current FY
6B	Original claim for current year ITC
6H	ITC reclaimed during the year
6M	ITC availed through Form ITC-01, ITC-02, ITC-02A
7A/ 7A1/ 7A2	Reversal u/r 37 (180 days reversal)/ Reversal u/r 37A (3B non-filers)/ 50% reversals for banks/NBFC
7B/ 7C/ 7D	ISD/ Rule 42/ Rule 43
7E	Ineligible ITC reversal u/s 17 (5)
7H	Other Reversals

1. Check-point for ITC availed pertaining to Previous FY (as per GSTR-2B/ Table 8A)

Table 6A1 of GSTR-9 of current FY

Pt III Details of ITC for the financial year		
	Description	Tax Amount
6	Details of ITC availed during the financial year	
A	Total amount of input tax credit availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR-3B)	
A1	ITC of preceding financial year availed in the financial year (which is included in 6A above) other than ITC reclaimed under rule 37 and rule 37A	



Table 13 of GSTR-9 of previous FY

Pt. V Particulars of the transactions for the financial year declared in returns of the next financial year till the specified period.		
	Description	Tax Amount
12	ITC of the financial year reversed in the next financial year	
13	ITC of the financial year availed in the next financial year	

2. Check-point for ITC availed pertaining to Previous FY (as per books of accounts)

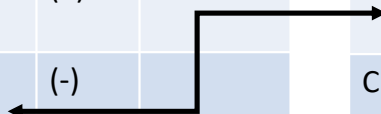
Table 12C GSTR-9C Previous FY



Table 12B of GSTR-9C Current FY

12	Reconciliation of Net Input Tax Credit (ITC)	
A	ITC availed as per audited Annual Financial Statement for the State/UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)
D	ITC availed as per audited financial statements or books of account	<Auto>
E	ITC claimed in Annual Return (GSTR9)	
F	Un-reconciled ITC	ITC 1

12	Reconciliation of Net Input Tax Credit (ITC)	
A	ITC availed as per audited Annual Financial Statement for the State/UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)
D	ITC availed as per audited financial statements or books of account	<Auto>
E	ITC claimed in Annual Return (GSTR9)	
F	Un-reconciled ITC	ITC 1



3. ITC Reclaimed Check

Table 6H of GSTR-9



Table 7H (ITC availed & reversed of GSTR-9)

Pt III	Details of ITC for the financial year	
	Description	Total Tax
6	Details of ITC availed during the financial year	
H	Amount of ITC reclaimed under the provisions of the Act	

	Description	Total Tax
7	Details of ITC Reversed and Ineligible ITC for the financial year	
H	Other reversals (pl. specify)	

4. ITC Reclaimed (ECRRS Check)

ITC reclaimed during the FY as per Electronic Credit Reversal and Reclaim Statement



Table 6H of GSTR-9 of current FY

Table 6A1 of GSTR-9 of current FY

Pt III	Details of ITC for the financial year	
	Description	Total Tax
6	Details of ITC availed during the financial year	
H	Amount of ITC reclaimed under the provisions of the Act	

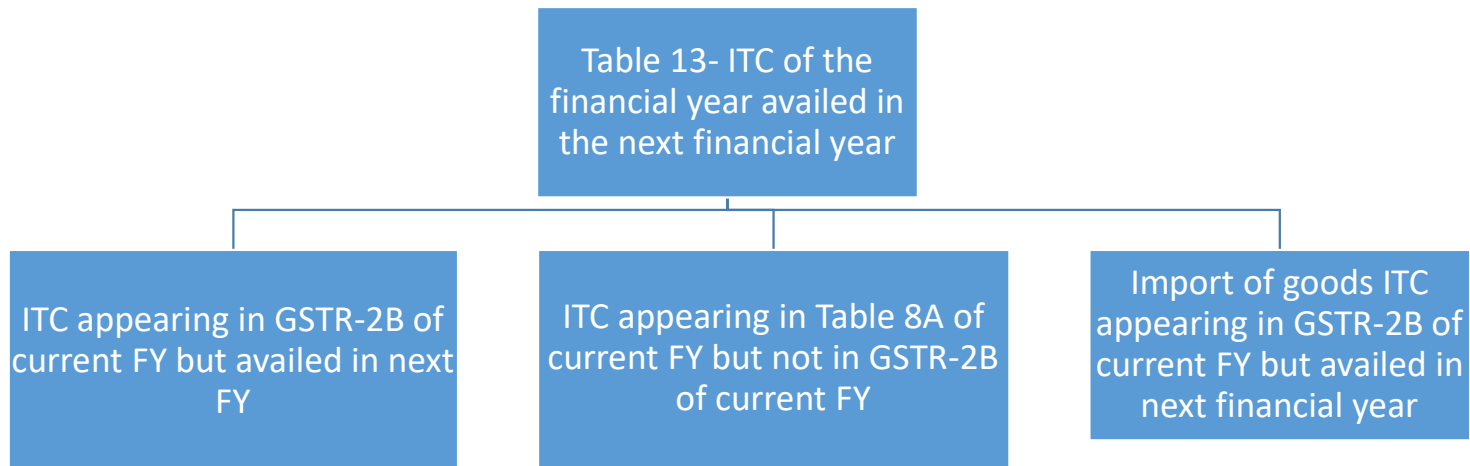


Pt III	Details of ITC for the financial year	
	Description	Total Tax
6	Details of ITC availed during the financial year	
A1	ITC of preceding financial year availed in the financial year (which is included in 6A above) other than ITC reclaimed under rule 37 and rule 37A	

* Table 6A1 of GSTR-9 of current FY for the domestic purchases from last years GSTR2B

5. Reporting of Table 13

Pt. V	Particulars of the transactions for the financial year declared in returns of the next financial year till the specified period.					
	Description	Tax Payable	Central Tax	State / UT Tax	Integrated Tax	Cess
	1	2	3	4	5	6
12	ITC of the financial year reversed in the next financial year					
13	ITC of the financial year availed in the next financial year					



6. ITC reported in Table 13 should be less than or equal to:

Table 7H (ITC availed and reversed) of GSTR-9

	Description	Total Tax
7	Details of ITC Reversed and Ineligible ITC for the financial year	
H	Other reversals (pl. specify)	



Table 6H of GSTR-9

	Description	Total Tax
6	Details of ITC availed during the financial year	
H	Amount of ITC reclaimed under the provisions of the Act	

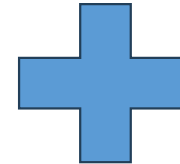


Table 8C & 8H1 of GSTR-9

	Description	Tax Amount
8	Other ITC related information	
C	ITC on inward supplies (other than imports and inward supplies liable to reverse charge but includes services received from SEZs) received during the financial year up to specified period	
H1	IGST credit availed on Import of goods in next financial year	

Thank You

Any Questions?