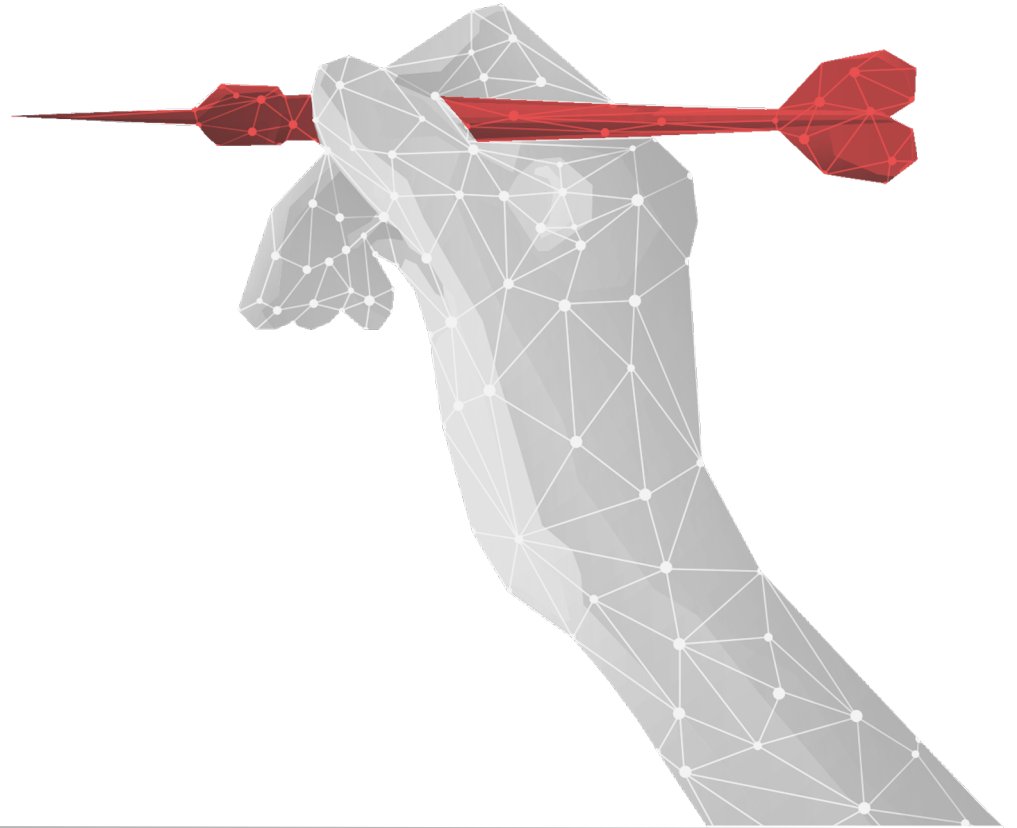


J A A & ASSOCIATES
CHARTERED ACCOUNTANTS



Newsletter

October- November 2021

GST curve balls – Why didn't my auditor point them out

The road of life twists and turns and
no two directions are ever the same.
Yet our lessons come from the
journey, not the destination.

— *Don Williams* —

GST Challenges

GST turned four this July 2021.

As the department came out of the VAT/Service Tax hangover and Covid-19 revenue pressures – we are seeing a barrage of assessment / audit notices under GST laws.

Many of the observations are routine – input tax credit frauds or GSTR 2A reconciliations

Some are interesting new takes

Others are re-interpretations of settled positions – a sign of times to come as GST litigation picks up speed

Auditors dilemma

Auditors and Internal auditors face this question as the notices flow in – ***why didn't you forewarn us?***

Last month, we presented 3 instances. We extend it by another 2 case studies - covering one example impacting most tech companies and another impacting exempted undertakings. If you have similar interesting issues, write to us at office@jaa-associates.com and let us know.

'Unbill' eivable – *accounting vs. tax*

For export of services, GST rules prescribe that consideration has to be realised within 1 year from **invoicing**.

This was a case where unbilled revenue accounted in March 20xx, billed regularly in subsequent October and realized.

However, officer contended that since revenue was recognized in March (implying completion of service),

- Invoice to be raised in 30 days
- The realization clock has to start from March 20xx – failing which export turnover turns taxable



Author's notes

The interplay between accounting and taxation is known and recognized.

This is recognised in the GST law which prescribes filing of reconciliation statement (in form GSTR9C) reconciling turnover / taxes between audited financial statements and the GST returns. In fact, opening and closing unbilled revenue are specific fields in the said reconciliation statement.

While the demand can be fought on various counts, to avoid unwanted disputes, services providers should streamline the process and timelines for recognition of unbilled revenue and subsequent billing in respect of the same.

'Exempt'-allary difficulties – *are you really exempt?*

An exempt supplier (say a hospital) has taken GST registration in 2 states - one of which is for the corporate office (cost center only). Output being exempt, no input credit is availed.

Registration is obtained only for paying GST under RCM. Certain vendor invoices are billed to the corporate office though pertaining to services received at the other office.

Since ITC is not availed in either of the states, this is ignored by the supplier.

During assessment, the tax officer contends that **such services billed-to corporate office should be cross charged to the other registrations** since these are deemed supplies made between the corporate office and the other registration and therefore raised a demand

Author's notes

Mere lapse of getting invoices billed to wrong office has resulted in this demand.

Care to be taken in the AP process to ensure vendor invoices are billed to the branch/GSTIN which is actually receiving the service;

alternatively, corporate offices may obtain ISD registration

What should we do?



We as CAs should look to the future

Develop multi-disciplines – data analytics, fraud, pattern analysis – move with the needs of the current trends

Create capabilities in Information Security, Cyber Security, General Computer Controls

Have capability assessment and enhancement for members – qualify the members

Instead of being wounded by continuous regulatory ‘set-backs’

Address each challenge:

1. Address questions on valuation that led to Income Tax Act changes removing ‘Accountants’ as one of the parties to issue report – investigate and take action quickly – Enhance valuation capabilities
2. Audit quality – subscribe, set a methodology/framework, create qualification criterion within firms

Thank You
