

Keeping it simple: Reconciliation of GST data in 5 steps

Reconciliation under Goods & Services Tax (GST) is about matching the data filed by the supplier with those of the recipients and recording all the transactions that have taken place during that period. The reconciliation process ensures that no sales or purchases are omitted or wrongly reported in the GST returns.

The taxpayers must reconcile their data on a regular basis with that of the vendors to claim eligible Input Tax Credit (ITC). The process of reconciliation is simple, but can be time-consuming, as the taxpayers are required to continuously keep an eye on any discrepancy or mismatches that may affect the ITC claim.

This article will bring about clarity to an otherwise tedious process in less than 5 easy steps.

1. Under the reconciliation process of GST for the financial year (FY) 2017-18, the taxpayers are required to mandatorily file all the periodic GST returns. Even if the due date for a particular GST return is missed, it should be filed along with the interest or the late fees as applicable. As long as the GST returns are not filed, matching and reconciliation process will not take off. The taxpayers need to update their books of accounts and align the tax returns accordingly. Unless and until all the GST returns are filed, the taxpayers won't be able to claim adequate ITC.

2. Furthermore, the taxpayers should identify the mismatches and correct the relevant entries in the books of accounts. They should also amend these details in the coming GST return filing period. GST laws do not allow for revision of tax returns filed in the previous periods. However, it does allow for filing of the corrected entries via an amendment return in the next periodic return. These amendment entries should be filed in GSTR 1 & GSTR 3B, accordingly. Make sure you carefully match the purchase register with GSTR 3B (uploaded month wise) and with GSTR 2A details (uploaded by the supplier). It is important to streamline the books of accounts, the GSTR-3B return, and GSTR-2A form to fully avail the ITC on the relevant purchases; otherwise, the taxpayer will lose ITC claim and will end up paying extra taxes.

3. The congruity between the books of accounts and the GST returns is crucial for claiming ITC. Additionally, taxpayers while claiming ITC on purchases should keep a check on taxes paid under the reverse charge mechanism. However, a taxpayer can only avail credit of taxes paid under reverse charge mechanism only if the goods and/or services are used or will be used for purpose of business.

4. Communication is the key, especially amongst the vendors and customers. This coordination results in uniform reporting of the details in the GST returns. Chances of mismatches, omission or incorrect entries are reduced when the suppliers' and the recipients' synchronize their details and then file GST returns. It is also very important to identify the non-compliant vendors, interact with them, and resolve the queries; this will help the recipients maximise ITC. Now, advanced reconciliation software can help reduce this communication gap between the suppliers and the recipients. These software enable the users to send a reconciliation mismatch report to the vendors or suppliers to resolve any issue arising out of it.

5. Lastly, the taxpayers should report all the rectified sale or purchase transactions of the FY 2017 -18, for the September returns. This September 2018, the returns are to be filed by 20 October 2018. This is the last chance for the taxpayers to report and correct all differences filed in tax returns of FY 2017-18.

Any taxpayer who has not claimed ITC in the preceding months can avail the same in the subsequent months, but not later than the filing of annual return i.e GSTR -9 or filing of GST returns for September month of the subsequent financial year, whichever is earlier. Any amendments or changes to the previously filed returns can be done within the same timeline. GST reconciliation is a recurring event, it must be performed periodically to claim maximum credit and to avoid mismatches on a larger scale. The taxpayers shall communicate the queries with his recipients or vendors at the earliest and file error-free returns.

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