

Chapter VIII

Accounts and Records

FAQ's

Accounts and other records (Section 35)

Section 35 of the CGST Act, 2017 made applicable to IGST vide Section 20 of the IGST Act, 2017 and UTGST vide Section 21 of the UTGST Act, 2017

Q1. Should every registered person required to maintain books of account?

Ans. Yes, as per Section 35 of the CGST Act, 2017 every registered person is required to keep and maintain books of account at his principal place of business, as mentioned in the certificate of registration.

Further, where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

However, in case of supply of tea, coffee, rubber, etc. where the auctioneer claims ITC in respect of the supply made to him by the principal before the auction of such goods and the said goods are supplied only through auction. Then, both the principal and the auctioneer are required to maintain the books of accounts relating to the additional place(s) of business at their principal place of business instead of such additional place(s). *[Refer Circular No.23/23/2017-GST dated 21.12.2017]*

Q2. What are the basic accounts required to be maintained by a person at the principal place of business?

Ans. As per Section 35 of the CGST Act, 2017 read with the CGST Rules, 2017, every registered person shall keep and maintain the following accounts on a true and correct basis:

- (a) Production or manufacture of goods;
- (b) Inward or outward supply of goods or services of both;
- (c) Stock of goods;
- (d) Input tax credit availed;
- (e) Output tax payable and paid;
- (f) Such other particulars as may be prescribed.

Q3. What are the additional accounts to be maintained by the registered person under the Chapter VII - Accounts and Records of the CGST Rules, 2017?

Ans. Every registered person, in addition to the records to be maintained under section 35 of the CGST Act, is required to maintain following additional accounts on a true and correct basis:

1. Goods or services imported or exported;
2. Supplies attracting payment of tax on reverse charge along with relevant documents (including invoices, bill of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers);
3. Accounts of stock in respect of goods received and supplied – containing particulars of opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and balance of stock including raw materials, finished goods, scrap and wastage thereof (these details need not be maintained by a composition dealer);
4. Advances received, paid and adjustments made thereto;
5. Tax payable on reverse charge basis;
6. Tax payable, tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period (Not applicable to composition dealer);
7. Names and complete addresses of suppliers from whom he has received the goods or services;
8. Names and complete addresses of the persons to whom he has supplied the goods or services; and
9. Complete addresses of the premises where the goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

Q4. Is an agent required to maintain any set of books of accounts?

Ans. Yes as per Rule 56(11) of the CGST Rules, 2017, every agent referred in section 2(5) of the CGST Act, 2017 shall maintain accounts containing:

1. particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately;
2. particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;

3. particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
4. details of accounts furnished to every principal; and
5. tax paid on receipts or on supply of goods or services effected on behalf of every principal.

Q5. Is there any specific set of records to be maintained by the provider of works contract service?

Ans. Yes as per Rule 56(14) of the CGST Rules, 2017, the registered person providing works contract service shall maintain the accounts showing-

1. the names and addresses of the persons on whose behalf the works contract is executed;
2. description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;
3. description, value and quantity (wherever applicable) of goods or services utilized in the execution of each works contract;
4. the details of payment received in respect of each works contract; and
5. the names and addresses of suppliers from whom he has received goods or services.

Q6. Is there any specific record to be maintained by custodian of goods?

Ans. Yes, as per Rule 56(17) of the CGST Rules, 2017, the clearing and forwarding agent or the carrier of goods shall maintain true and correct records in respect of such goods handled by him on behalf of the registered person.

Q7. In case of more than one place of business, whether the records are required to be maintained only at principal place of business?

Ans. No, where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business. Moreover, in case of additional places of business, the accounts relating to each place of business shall be kept at such places of business concerned (provided such place is specified in the certificate of registration). Such books of account shall include any electronic form of data stored on any electronic device.

Q8. Whether accounts can be maintained in the electronic form?

Ans. Yes, the registered person may keep and maintain such accounts and other particulars in the electronic form, however the said records must be authenticated by way of digital

signatures. Proper electronic back-up of records shall be maintained and preserved in such manner so that the information can be restored within a reasonable period of time in the event of destruction of such records due to accidents or natural causes. The same shall be produced on demand along with its sample hard copy and passwords, codes, etc.

Q9. Is there any category of registered person required to maintain additional accounts or documents?

Ans. As per Section 35(3) of the Act, the Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.

Q10. Can an exception be made for maintenance of books of account as per provisions of Section 35 of the CGST Act?

Ans. Yes, as per provisions of section 35(4), in case any class of taxable persons is not in a position to keep and maintain accounts in accordance with the provisions of section 35, the Commissioner may permit such class of taxable persons to maintain accounts in such manner as may be prescribed after recording the reasons for the same in writing.

Q11. Whether the accounts maintained by the registered taxable person need to be audited?

Ans. Yes, every registered person whose aggregate turnover during a financial year exceeds the prescribed limit of ₹ 2 Crore, shall get his accounts audited by a chartered accountant or a cost accountant and shall submit to the proper officer a copy of the audited annual accounts, the reconciliation statement (duly certified, in **FORM GSTR-9C**) under Section 44(2) and such other documents in the form and manner as may be prescribed.

Further, any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force shall be exempted by this provision of audit.¹

Q12. Can the provisions of Sections 73 or 74 be made applicable for not maintaining books of account?

Ans. Yes, where the registered person fails to account for the goods and/or services in accordance with Section 35(1), the proper officer shall determine the amount of tax payable on the goods and/or services that are not accounted for, as if such goods and/or services had been supplied by such person, and the provisions of Sections 73 or 74, as the case may be, shall apply, mutatis mutandis, for determination of such tax.

¹ Effective date yet to be notified

Note:

- Under section 17(5)(h), input tax credit shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and
- Section 73 & 74 are the demand-related provisions under the Act.

Q13. Does the law require an owner/ operator of a warehouse or godowns/ transporter to maintain books of account?

Ans. Yes, every owner/ operator of warehouse or godowns or any other place used for storage of goods and transporter (whether registered or not) needs to maintain records of consignor, consignee and other relevant details as under:

1. For Transporter:

- GSTIN of registered consignor/consignee
- Goods transported
- Goods delivered
- Goods stored in transit by him

2. For owner/ operator of a warehouse or godowns:

- Accounts related to that period for which goods remain with him
- Details of dispatch, movement, receipt and disposal of goods

Further, owner/ operator of warehouse or godowns should store the goods in such a way that they can be identified item-wise and owner-wise and shall facilitate any physical verification/ inspection by proper officer on demand.

Q14. Is there any form to be submitted by the owner/ operator of warehouse or godowns or any other place used for storage of goods and transporter to maintain books as per section 35?

Ans. Yes, as per Rule 58 the CGST Rules, 2017, owner/ operator of warehouse or godowns or any other place used for storage of goods and transporter, if not already registered is required to submit the details regarding his business electronically on the Common Portal in **FORM GST ENR-01**, either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details furnished, a unique enrollment number shall be generated and communicated to the said person.

Q15. What are the consequences if taxable goods are found in a place other than those declared without valid documents?

Ans. The proper officer is free to determine the amount of tax payable on such goods as if the goods have been supplied by the registered person.

Q16. Are the books of accounts to be maintained serially?

Ans. Yes.

Q17. Is there any specific set of details to be maintained by a supplier of service?

Ans. Yes. As per Rule 56(13) of the CGST Rules, 2017, a supplier of service is required to maintain quantitative details of goods used in provision of services, details of input services utilized and services supplied.

Q18. Can the entries in the registers be erased?

Ans. No, as per Rule 56(8) of the CGST Rules, 2017, any entry in the register, accounts and documents shall not be erased, effaced or overwritten.

Q19. What shall be the treatment of incorrect entries made in the registers, accounts or documents?

Ans. As per Rule 56(8) of the CGST Rules, 2017, if incorrect entries (except those of clerical nature) are made in the registers, accounts or documents, they shall be scored out under attestation. Thereafter, the correct entry shall be recorded. Further, where the registers and other documents are maintained electronically, a log of every edited or deleted entry shall be maintained.

Q20. What shall be the consequence if any document, register, or books of accounts belonging to a registered person are found at any premises other than those mentioned in the certificate of registration?

Ans. As per Rule 56(10) of the CGST Rules, 2017, unless it is proved otherwise, if any document, register, or books of accounts belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.

Q21. Is there any specific set of records to be maintained by a person manufacturing goods?

Ans. Yes, as per Rule 56(12) of the CGST Rules, 2017, every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of-

1. Raw materials or services used in the manufacture, and
2. Goods so manufactured including the waste and by products thereof.

Period of retention of accounts (Section 36)

Section 36 of CGST Act, made applicable to IGST vide Section 20 of IGST Act and Section 21 of the UTGST Act

Q22. Is there any time period during which the maintenance of books of accounts and other records is mandatory?

Ans. Yes, as per section 36, every registered person is required to keep and maintain books of account or other records as prescribed under Section 35(1) and retain them until the expiry of 72 months from the due date for filing of Annual Return for the year pertaining to such accounts and records.

Q23. What is the time period prescribed for maintenance of accounts and records if the registered person is a party to an appeal or revision?

Ans. A registered person, who is a party to an appeal or revision or any other proceeding before any Appellate Authority or Tribunal or Court, or investigation for an offence under Chapter XIX, shall retain the books of account pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or until the expiry of 72 months from the due date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later.

Q25. For GST accounting which Accounting standard and guidance note is applicable ?

Ans. There is no specific Accounting Standard prescribed for accounting under the GST Regime. Respective Accounting Standards followed in previous regime will continue to be followed for the purpose of accounting under the GST Regime. Further, IDTC of ICAI has also issued an E-book on how to do accounting under the GST Regime. The same may be referred for further details.

Q26. Whether inventory records maintenance is mandatory under GST or only accounting is sufficient ?

Ans. Every Registered person is required to maintain inventory records in accordance with Section 35 of the CGST Act read with Rule 56 of the CGST Rules. Only accounting for the inventory is not sufficient in the absence of inventory records.

Q 27. Whether Ineligible input and RCM to be debited to respective expenses account or to be shown separately?

Ans. In cases where the credit either on account of payment made under forward charge or on account of payment made under Reverse charge is identified as ineligible at the time of initial recording of transaction only, the same should be debited to the respective expenses account. However, in case the proportionate credit is disallowed at a later

stage for Eg: u/r 42 or 43, the same should be booked as a separate expense as it will not be possible to allocate them to respective expenses head at that stage.

Q28. Who is responsible for the maintenance of proper accounts related to job work

Ans. The responsibility for the maintenance of proper accounts of job work-related inputs and capital goods rests with the principal.

Q29. What action can be taken for transportation of goods without valid documents or attempted to be removed without proper record in books?

Ans. If any person transports any goods or stores any such goods while in transit without the documents prescribed under the Act (i.e. invoice and a declaration) or supplies or stores any goods that have not been recorded in the books or accounts maintained by him, then such goods shall be liable for detention along with any vehicle on which they are being transported. Such goods shall be released only on payment of the applicable tax and penalty or upon furnishing of security.

MCQ's

Accounts and other records (Section 35)

Q1. The books and other records u/s 35 are to be maintained at

- (a) Place where the books and accounts are maintained
- (b) Place of address of the Proprietor/ Partner/Director/Principal Officer
- (c) Principal place of business mentioned in the Certificate of Registration
- (d) Any of the above

Ans. (c) *Principal place of business mentioned in the Certificate of Registration*

Q2. In case, more than one place of business situated within a state specified in the Registration Certificate, the books and Accounts shall be maintained at

- (a) Each place of business pertaining to such place
- (b) Place where the books of accounts are maintained for all places situated within a state
- (c) At principal place of business covered mentioned in the Registration Certificate for all places of business in each State
- (d) Any of the above

Ans. (a) *Each place of business pertaining to such place*

Q3. Accounts are required to be maintained in

- (a) Manual form
- (b) Electronic form
- (c) Manual and electronic form
- (d) Manual or electronic form

Ans. (d) *Manual or electronic form*

Q4. Who among the following, even if not registered, is required to maintain records

- (a) Owner or operator of warehouse
- (b) Owner or operator of godown
- (c) Owner or operator of any other place used for storage of goods
- (d) Every transporter
- (e) All the above

Ans. (e) *All the above*

Q5. If a turnover during a financial year exceeds the prescribed limit, then accounts get audited by

- (a) Chartered Accountant
- (b) Cost Accountant
- (c) Either (a) or (b)
- (d) Both (a) and (b)

Ans. (c) *Either (a) or (b)*

Q6. What accounts and records are required to be maintained by every registered taxable person at his principal place of business

- (a) account of production or manufacture of goods
- (b) inward or outward supply of goods and/or services
- (c) stock of goods
- (d) input tax credit availed
- (e) output tax payable and paid
- (f) All of the above

Ans. (f) *All of the above*

Q7. Can all the records be maintained in an electronic form?

- (a) Yes
- (b) No
- (c) May be
- (d) Yes, if authenticated by digital signature

Ans. (d) *Yes, if authenticated by digital signature*

Period of retention of accounts (Section 36)

Q8. The time period prescribed for maintenance of accounts and records, if the taxable person is a party to an appeal or revision shall be-

- (a) Two year after final disposal of such appeal or revision or proceeding, or until the expiry of thirty-six months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later
- (b) Two year after final disposal of such appeal or revision or proceeding, or until the expiry of sixty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later
- (c) One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy-two months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later
- (d) One year after final disposal of such appeal or revision or proceeding, or until the expiry of forty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later

Ans. (c) *One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy-two months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later*

Q9. Taxable person has to maintain his records for a period of:

- (a) expiry of 72 months from the due date of filing of Annual Return for the year
- (b) expiry of 40 months from the due date of filing of Annual Return for the year
- (c) expiry of 30 months from the due date of filing of Annual Return for the year
- (d) expiry of 90 months from the due date of filing of Annual Return for the year

Ans. (a) *expiry of 72 months from the due date of filing of Annual Return for the year.*