

**Handbook  
on  
Accounts and Records under  
GST**



**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)  
New Delhi

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Committee/Department : GST & Indirect Taxes Committee

E-mail : [gst@icai.in](mailto:gst@icai.in)

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## Foreword to the Second Edition

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The GST & Indirect Taxes Committee of ICAI has always been proactive in providing the needed support to the members and honing their skills by organising courses, conferences and programmes, live webcasts, e-learning etc. on GST. Further, it has been regularly bringing out useful technical publications on various aspects of GST.

I am happy to note that the Committee has revised its publication namely, ***“Handbook on Accounts and Records under GST”***. The Handbook explains the provisions of the GST law relating to accounts and records and has been revised to incorporate the recent changes made by the Government. Provisions like who is required to maintain accounts and records, where should the accounts and records be maintained, period of retention of accounts and records, relaxations in maintaining records etc. have been discussed in the Handbook with the aid of FAQs and MCQs to make the reading and understanding easier.

I appreciate the efforts of CA. Rajendra Kumar P, Chairman, CA. Umesh Sharma, Vice-Chairman and other members of the GST and Indirect Taxes Committee for revising this useful publication for the benefit of all.

I am sure this that this publication will be a useful resource for the members.

Date : 29th June, 2022

**CA. (Dr.) Debashis Mitra**

Place : New Delhi

President, ICAI



## **Preface to the Second Edition**

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Goods and Services Tax (GST) plays an important role in carrying forward the economic growth of India. It completes its five years on 1<sup>st</sup> July 2022 making way for a more transparent and simpler GST law. In order to ensure that the goals of implementation of GST law are achieved, it is important that accounts and records are maintained in a proper manner and kept at the prescribed place(s). These records act as the evidence for conducting an effective audit. Therefore, to ensure consistency, GST law has specific provisions for their maintenance.

Goods and Services Tax (GST) plays an important role in carrying forward the economic growth of India. It completes its five years on 1st July 2022 making way for a more transparent and simpler GST law. In order to ensure that the goals of implementation of GST law are achieved, it is important that accounts and records are maintained in a proper manner and kept at the prescribed place(s). These records act as the evidence for conducting an effective audit. Therefore, to ensure consistency, GST law has specific provisions for their maintenance.

Considering the significance of the provisions related to accounts and records, the GST & Indirect Taxes Committee published a Handbook on Accounts and Records in the year 2020 along with various other handbooks on different aspects of GST law. These Handbooks are one among the many initiatives of the Committee undertaken towards its objective of GST knowledge dissemination. The provisions related to the chosen topic are collated, explained and analysed in such handbooks for easy comprehension of all the interested stakeholders.

That GST law is extremely dynamic and is prone to frequent changes is not a matter of surprise and is known to all and sundry. Accordingly, in view of the amendments made in the provisions related to accounts and records in the last two years, the GST & Indirect Taxes Committee has revised this 'Handbook on Accounts and Records'. The law stated in this Handbook is updated till 30<sup>th</sup> June, 2022.

We are thankful to CA. (Dr.) Debashis Mitra, President, ICAI and CA. Aniket Sunil Talati, Vice-President, ICAI for their continuous encouragement and support for the various endeavours of the GST & Indirect Taxes Committee.

We acknowledge with our deepest gratitude the efforts of CA. Hitesh Jain in revising the Handbook. We would also like to thank the members of our Committee who have always been part of all our endeavours. Last but not the least, I commend the efforts made by Secretariat in providing the requisite technical and administrative assistance in the revision exercise.

Though all efforts have been taken to provide the correct and legitimate position in this Handbook, there can be different views/opinions on the various issues addressed to in this Handbook. We request the readers to bring to our notice any inadvertent error or mistake that may have crept in during the revision of this Handbook. We will be glad to receive your valuable feedback.

We are positive that readers will use this book to their advantage in fulfilling their professional duties appropriately. We request you to visit our website <https://idtc.icai.org/index.php> and make use of other available technical/educational resources on GST to increase your knowledge base in GST.

**CA. Rajendra Kumar P**  
Chairman  
GST & Indirect Taxes Committee

**CA. Umesh Sharma**  
Vice-Chairman  
GST & Indirect Taxes Committee

Date : 29<sup>th</sup> June, 2022

Place : New Delhi

## Foreword to the First Edition

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The introduction of Goods & Services Tax (GST) in India is one of the most significant indirect tax reforms since Independence. The reform that took more than a decade of mutual co-operation, continuous discussion and intense debate between Central and State Governments about implementation methodology, was finally implemented with effect from 1<sup>st</sup> July 2017, subsuming almost all indirect taxes at the Central and State levels. As the journey of GST implementation progressed in India, the authorities have been quick to address the various challenges faced by the Industry and public concerns by issuing a series of notifications, clarifications, press releases and FAQs, to resolve a wide range of concerns.

The GST along with its challenges have brought in various benefits also like creation of National market by bringing down fiscal barriers amongst the States and has mitigated the cascading effect of taxes by allowing seamless credit of input tax across goods and services. The Institute of Chartered Accountants of India (ICAI) through its GST & Indirect Taxes Committee has been playing a vital role in the implementation of GST in India by providing suggestions to the Government at each stage of development of GST. Further, the Institute has been playing proactive role and is a catalyst in dissemination of knowledge and awareness through technical publications, newsletters, e-learning and organizing various programmes, certificate courses, webcasts etc. for all stakeholders.

I am happy to note that the GST & Indirect Taxes Committee of ICAI has now taken an initiative to issue a series of Handbooks covering various procedural aspects of GST and in that series is bringing out this **Handbook on Accounts and Records under GST** with an objective to provide guidance to readers on the matter. The Handbook explains the need and requirement of maintaining Accounts and Records under GST in an easy to understand lucid language and it aimed at updating the knowledge base of members in a simple and concise manner.

I congratulate CA. Rajendra Kumar P, Chairman, CA. Sushil Kumar Goyal, Vice-Chairman and other members of GST & Indirect Taxes Committee for coming out with this Handbook and for taking active steps in providing regular guidance to the members and other stakeholders at large.

I am sure that Members will find this publication very useful in discharging the statutory functions and responsibilities under the GST laws in an efficient and effective manner.

**CA. Atul Kumar Gupta**  
President, ICAI

Date: 10<sup>th</sup> August, 2020

Place: New Delhi



## Preface to the First Edition

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Goods and Services Tax (GST) was introduced in India from 1<sup>st</sup> July, 2017. It is one of the major tax reforms since independence in the area of indirect taxation. It was introduced with the objective to mitigate the cascading effect of taxes by allowing seamless credit across goods and services, facilitate free flow of goods and services across India and boosting tax revenue from better compliance and widening the tax base. A remarkable feature of GST implementation is that all the States in India came together with the Centre to form a unique federal body called GST Council, which is entrusted with the objective of recommending policies and procedural matters in the formation and implementation of GST legislation. The spirit of co-operative federalism took deep roots thereby ensuring that large federal countries like India implement the GST Law.

In order to facilitate understanding the various compliances under GST, the GST & Indirect Taxes Committee of ICAI has taken an initiative to prepare a handbook on procedural aspects like registration, refund, return, invoice etc. One of the results of such initiative is this **Handbook on Accounts and Records under GST**. An attempt has been made to cover all aspects related to Accounts and Records at one place and is intended to give general guidance to all stakeholders and also help them in resolving issues that they may face during the course of their compliances under in the GST. This Handbook on Accounts and Records under GST is comprehensive containing analysis of the entire provisions under the law including notifications, circulars or orders upto 31<sup>st</sup> July, 2020 issued by the Government from time to time along with few FAQ's, MCQ's, Flowcharts, Diagrams and Illustrations etc. to make the reading and understanding easier.

We stand by the Government in our role as "Partners in GST Knowledge Dissemination" and have always been supporting Government with our intellectual resources, expertise and efforts to make GST error-free.

We sincerely thank CA. Atul Kumar Gupta, President and CA. Nihar Niranjan Jambusaria, Vice-President, ICAI for their encouragement to the initiatives of the GST & Indirect Taxes Committee. We express our gratitude for the untiring effort of CA. Hitesh Jain who has shared his intellectual expertise and CA Pawan Kumar Soni for reviewing this publication. We place on record the services and unstinted support provided by the Secretariat of the Committee.

We trust this Handbook will be of practical use to all the members of the Institute and other stakeholders. We also welcome suggestions at [gst@icai.in](mailto:gst@icai.in) and request you to visit our website <https://idtc.icai.org> and provide valuable inputs in our journey to make GST truly a good and simple tax.

**CA. Rajendra Kumar P**  
Chairman  
GST & Indirect Taxes Committee

**CA. Sushil Kumar Goyal**  
Vice- Chairman  
GST & Indirect Taxes Committee

Date: 10.08.2020

Place: New Delhi

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# Chapter 1

## Introduction

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Accounting is an ancient art. *Chanakya*, the 4<sup>th</sup> Century Indian Economist and Royal Advisor in his treatise *The Arthashastra*, has discoursed on the principles, scope and methodology of accounting, ethics in accounting, codification of its rules and regulations, conflict of interest in an organization etc., This signifies the bearing of the accounting principles and its ethics in the Indian ecosystem at least since the Mauryan empire. The modern system of accounting owes its origin in the 15<sup>th</sup> Century to the Italian Mathematician, *Luca Pacioli*, often called as the '*Father of Accounting and Book-Keeping*'.

In India, post the economic reforms in 1991, we have witnessed gradual shift from the traditional to modern system of accounting and bookkeeping. Currently, as technology is becoming deep rooted day by day, the approach of trade and the Government agencies is moving in similar direction. Accounting and record keeping are also being systemized with the help of ERP, Cloud softwares etc. With the advent of Goods and Service Tax (hereinafter called as 'GST') with effect from July 01, 2017, the nation has seen sweeping changes in the way its businesses operate. Being a combination of various erstwhile tax regimes i.e., Excise Duty, Service Tax, State VAT etc., GST Law has also evolved with the underlying principle of 'self-assessments'. Under this principle, the registered person shall self-evaluate and self-comply with the various requirements of the GST Law.

Major requirements of the GST Law are as follows:

- Registration
- Test of scope of supply
- Applicable exemptions
- Time and value of supply
- Eligibility of the input tax credit
- Rate of tax
- Various due dates i.e., for payment of tax, return filing, appeals etc.,

## **Handbook on Accounts and Records under GST**

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Adherence to compliances is the key on which the entire spectrum of GST Law operates; and these compliances are more or less, procedural in nature. On the contrary, the costs and consequences involved in non-compliances are very high and cannot be ignored. GST Law works on the doctrine of '*ignorantia juris non excusat*', and therefore, ignorance even in the matter of maintenance of the accounts and records as required by the statutes also cannot be excused.

It is pertinent to note that the GST Law has set a common standard in relation to maintenance of the books of accounts, irrespective of the type of industry, nature of the product (say, goods or services), size of the operations etc., subject to a few exceptions. Further, the accounts and records required to be maintained under GST Law are more relatable to the Central Excise and Service Tax regime, when compared with the State VAT regime. This has led to the situation where the burden of compliances and the upkeep costs has increased for the businesses, especially, the medium, small and micro enterprises.

On the part of the tax authorities, the information provided by the registered person in the self-assessed tax returns shall be corroborated with the books of accounts and such other records through scrutiny, audits, or investigations. Hence, the obligation has been casted on the registered person to maintain the accounts and records under the provision of the GST Law, similar to the requirement under the other legislations such as the Income Tax Act, 1961, the Companies Act, 2013 etc.

Let us analyze the provisions of the GST Law in relation to the maintenance of the accounts and records of a registered person.

## Chapter 2

### Coverage – Provisions & Forms

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Chapter VII of the CGST Act, 2017, read with Chapter VI of the CGST Rules, 2017, prescribes the documents based on which the day-to-day transactions done by a registered person are recorded i.e., tax invoice, credit notes, debit notes, etc. Chapter VIII of the CGST Act, 2017 read with Chapter VII of the CGST Rules, 2017 provides for maintenance of accounts and other records. The applicable statutory provisions being covered under this handbook are the following:

<p><b>Central Goods &amp; Services Tax Act, 2017</b> (hereinafter referred as “the CGST Act, 2017” or “the CGST Act”)</p>	<p><b>Central Goods &amp; Services Tax Rules, 2017</b> (hereinafter referred as “the CGST Rules, 2017” or ‘the CGST Rules’)</p>
<p><b>Chapter VIII</b> <b>Sections</b> 35. Accounts and other records 36. Period of retention of accounts</p>	<p><b>Chapter VII</b> <b>Rules</b> 56. Maintenance of accounts by registered persons 57. Generation and maintenance of electronic record 58. Records to be maintained by owner or operator of godown or warehouse and transporters</p>

Under the above said provisions, the forms being covered under this handbook are the following :

Forms	Particulars
FORM GST ENR-01	Application for Enrolment u/s 35 (2)
FORM GST ENR-02	Application for obtaining unique common enrolment number

## **Handbook on Accounts and Records under GST**

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*Note: The terms 'accounts and records', 'accounts' or 'records' are distinctly referred to in this handbook for simple understanding of the readers only. Hence, such terms used shall be read as the 'account and such other records' as required under section 35 and section 36 of the CGST Act, 2017 read with the rules prescribed thereunder.*



## Chapter 3

# Statutory Provisions

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### Extract from Chapter VIII of the CGST Act, 2017

**Section 35: Accounts and other records**

*(1) Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—*

- (a) production or manufacture of goods;*
- (b) inward and outward supply of goods or services or both;*
- (c) stock of goods;*
- (d) input tax credit availed;*
- (e) output tax payable and paid; and*
- (f) such other particulars as may be prescribed*

*PROVIDED that 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:*

*PROVIDED FURTHER that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.*

*(2) Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.*

*(3) The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.*

*(4) Where the Commissioner considers that any class of taxable persons is not in a position to keep and maintain accounts in accordance with the*

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provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.

~~(5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a Chartered Accountant or a Cost Accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.~~

~~PROVIDED that nothing contained in this sub-section shall apply to 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.~~

(Omitted w.e.f. 01.08.2021 vide the Finance Act, 2021)

(6) Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of such tax.

### **Section 36: Period of retention of accounts**

Every registered person required to keep and maintain books of account or other records in accordance with the provisions of sub-section (1) of section 35 shall retain them until the expiry of seventy -two months from the due date of furnishing of annual return for the year pertaining to such accounts and records:

PROVIDED that a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records 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 for the period specified above, whichever is later.

**Extract from the Chapter VII of the CGST Rules, 2017**

**Rule 56: Maintenance of accounts by registered persons**

(1) Every registered person shall keep and maintain, in addition to the particulars mentioned in sub-section (1) of section 35, a true and correct account of the goods or services imported or exported or of supplies attracting payment of tax on reverse charge along with the relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.

(2) Every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

(3) Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.

(4) Every registered person, other than a person paying tax under section 10, shall keep and maintain an account, containing the details of tax payable (including tax payable in accordance with the provisions of sub-section (3) and sub-section (4) of section 9), 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.

(5) Every registered person shall keep the particulars of—

- (a) names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act;
- (b) names and complete addresses of the persons to whom he has supplied goods or services, where required under the provisions of this Chapter;
- (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

(6) If any taxable goods are found to be stored at any place(s) other than those declared under sub-rule (5) without the cover of any valid documents, the Proper Officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.

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(7) Every registered person shall keep the books of account at the principal place of business and books of account relating to additional place of business mentioned in his certificate of registration and such books of account shall include any electronic form of data stored on any electronic device.

(8) Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter, the correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.

(9) Each volume of books of account maintained manually by the registered person shall be serially numbered.

(10) Unless proved otherwise, if any documents, registers, or any books of account 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.

(11) Every agent referred to in clause (5) of section 2 shall maintain accounts depicting the—

- (a) particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

(12) Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

## Statutory Provisions

(13) *Every registered person supplying services shall maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilised and the services supplied.*

(14) *Every registered person executing works contract shall keep separate accounts for works contract showing—*

- (a) *the names and addresses of the persons on whose behalf the works contract is executed;*
- (b) *description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;*
- (c) *description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract;*
- (d) *the details of payment received in respect of each works contract; and*
- (e) *the names and addresses of suppliers from whom he received goods or services.*

(15) *The records under the provisions of this Chapter may be maintained in electronic form and the record so maintained shall be authenticated by means of a digital signature.*

(16) *Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.*

(17) *Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of such registered person and shall produce the details thereof as and when required by the proper officer.*

(18) *Every registered person shall, on demand, produce the books of account which he is required to maintain under any law for the time being in force.*

**Rule 57: Generation and maintenance of electronic records**

(1) Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.

(2) The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

(3) Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

**Rule 58: Records to be maintained by owner or operator of godown or warehouse and transporters**

(1) Every person required to maintain records and accounts in accordance with the provisions of sub-section (2) of section 35, if not already registered under the Act, shall 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 enrolment number shall be generated and communicated to the said person.

(1A) For the purposes of Chapter XVI of these rules, a transporter who is registered in more than one State or Union Territory having the same Permanent Account Number, he may apply for a unique common enrolment number by submitting the details in FORM GST ENR-02 using any one of his Goods and Services Tax Identification Numbers, and upon validation of the details furnished, a unique common enrolment number shall be generated and communicated to the said transporter:

*PROVIDED* that where the said transporter has obtained a unique common enrolment number, he shall not be eligible to use any of the Goods and Services Tax Identification Numbers for the purposes of the said Chapter XVI.

(2) The person enrolled under sub-rule (1) as aforesaid in any other State or Union territory shall be deemed to be enrolled in the State or Union territory.

## Statutory Provisions

*(3) Every person who is enrolled under sub-rule (1) shall, where required, amend the details furnished in FORM GST ENR-01 electronically on the common portal either directly or through a Facilitation Centre notified by the Commissioner.*

*(4) Subject to the provisions of rule 56,—*

*(a) any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him along with the Goods and Services Tax Identification Number of the registered consigner and consignee for each of his branches.*

*(b) every owner or operator of a warehouse or godown shall maintain books of account with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt and disposal of such goods.*

*(5) The owner or the operator of the godown shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.*

**Note:** The above-mentioned statutory provisions have been quoted only from the CGST Act, 2017, whereas, identical provisions are available in the State GST Law(s) as well.

## Chapter 4

# Persons Responsible to Maintain Accounts

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The CGST Act, 2017 vide section 35(1) identifies a 'registered person' to maintain the books of accounts and such other records. Section 2(94) defines registered person as "*registered person means a person who is registered under section 25 but does not include a person having a Unique Identity Number*". Therefore, we can infer the following from the said definition:

- As mandated under section 25, a person who is liable to get registered under section 22 (turnover-based registration) or section 24 (compulsory registration) shall be covered.
- A person, though not liable to get registered under section 22 or section 24, who may voluntarily apply for registration, as provided under section 25(3), shall also be covered.
- Holders of the unique identity number such as any specialized agency of the United Nations Organisation, any Multilateral Financial Institution and Organizations notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries etc., or any other person or class of persons, as may be notified by the commissioner are not covered.

There can also be a situation where a person who is liable to be registered either under section 22 or section 24, has not applied for the registration for any reason. It is pertinent to note that, the requirement of maintaining accounts and records gets triggered from the day a person becomes liable for registration, irrespective of the fact that, whether the person actually holds a GSTIN or not. Therefore, adequate care should be taken towards maintaining the required records from such triggering date itself.

Further, attention of the readers is invited to section 35(2) of the CGST Act, 2017, rules 56(11), 56(17), 58(4) and 58(5) of the CGST Rules, 2017, wherein, the following persons are also required to maintain specific records:



### **Persons Responsible to Maintain Accounts**

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- Owner or operator of storage facility i.e., warehouse, godown, etc.,
- Transporter
- An agent as mentioned under section 2(5) of the CGST Act, 2017
- Clearing and forwarding agent.

# Chapter 5

## Location of Accounts

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To ascertain where the records are to be kept, we need to understand the term 'place of business', at the first place, as defined under section 2(85) of the CGST Act, 2017. Moreover, it includes the following:

- Locations where the business is ordinarily carried on.
- Location of warehouse, godown or any other place where goods are stored.
- Locations from where the supplies of goods or services or both are made or received.
- Locations where books of accounts are maintained.
- Locations where the business is carried through an agent.

Section 35 of the CGST Act, 2017 mandates that every registered person shall maintain the accounts and records at his 'principal place of business', as defined under section 2(89). "*Principal place of business means the place of business specified as the principal place of business in the certificate of registration*". Therefore, the address mentioned under the GST registration certificate as the principal place of business, shall be the location where the accounts and records are required to be maintained.

The first proviso to section 35(1) of the CGST Act, 2017 states that, in case a registered person has other place of business(es) in addition to the principal place of business, say, for instance, multiple stores, manufacturing facility, godowns, branches, etc., under a common GSTIN and are mentioned in the GST registration certificate, then the records relating to such additional location(s) shall also be maintained at the respective location(s).

Similar principle applies to the owner or operator of the storage facility, transporters, agents, etc., who shall also maintain specific records at their respective locations. This entails the need to address the issues on the implementation front, as real time updating of the accounting data may be required and proper use of information technology may come to the rescue.

## Chapter 6

### Concept of True and Correct Accounts

On a closer analysis of the section 35(1) of the CGST Act, 2017, it can be understood that the registered person is required to maintain a '*true and correct*' account of the records for the following:

- Production or Manufacturing of goods
- Inward supplies
- Input tax credit availed
- Outward supplies
- Output tax payable and paid
- Stock of goods
- Such other records as prescribed

The reference to maintaining true and correct records has also been made under rule 56(17) of the CGST Rules, 2017, even for clearing and forwarding agent having custody over goods belonging to any registered persons. By the term 'true and correct', the tax authorities presume that the registered person is not only aware of the nature and contents of the accounts and records required under GST Law, but also maintains the same with complete accuracy.

Similar to the erstwhile indirect tax regime, the emphasis has been laid on the form of transactions over its substance under the GST Law as well. Therefore, the documents based on which transactions are being executed shall always stand as the primary records on which tax authorities shall rely upon, irrespective of the materiality involved in those transactions. Moreover, the literature of the agreements or such other documents entered with various parties with whom the registered person is transacting with and recording of such transactions in the books of accounts shall not be speaking in a contradictory manner.

# Chapter 7

## Documentation

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The GST Law requires a registered person to maintain multiple accounts and records in relation to the business which he operates. The documents for recording of the day-to-day transactions based on which accounts and records are made have been prescribed under Chapter VII of the CGST Act, 2017, read with Chapter VI of the CGST Rules, 2017. These are :

- Tax invoices
- Revised tax invoices
- Bill of supply
- Credit notes
- Debit notes
- Receipt vouchers
- Payment vouchers
- Refund vouchers
- Delivery challans
- Self-generated invoices

**Note:** For an in-depth study and clarity on the documentation aspects refer the 'Handbook on Invoicing under GST' by the GST & Indirect Tax Committee of ICAI.

# Chapter 8

## Contents of Accounts

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On a combined reading of section 35 of the CGST Act, 2017 along with rule 56 of the CGST Rules, 2017, the segments for which accounts, records and such other documents, by whatever name called, are to be maintained by the registered person can broadly be classified as follows:

- Production or manufacture of goods
- Inward supplies of goods or services
- Outward supplies of goods or services
- Supplies under reverse charge
- Input tax credit availed
- Output tax payable and paid
- Stock of inputs, finished goods, scrap, etc.,
- Imports of goods or services
- Exports of goods or services
- Advances

The contents of accounts and records under GST Law is largely based on the nomenclature under the erstwhile Central Excise Act, 1944. In general, a registered person is required to maintain the following:

- Documents as mandated under Chapter VII of the CGST Act, 2017, read with Chapter VI of the CGST Rules, 2017 as discussed in Para VII above.
- Registers for tax invoices, debit notes and credit notes.
- Registers for the delivery challans issued or received.
- Records relating to exports or imports of goods or services.
- Records related to supplies under reverse charge, either as a supplier or recipient, as the case may be.
- Proper bifurcation of quantity and value of the stock records for raw materials, finished goods, scrap, wastages etc., A specimen format is given below:

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Name of Goods	Opening Balance of Goods	Goods Received	Goods Supplied	Goods Lost or Stolen or Destroyed or Written off	Goods Gifted	Goods distributed as Free Samples	Closing Balance of Goods

- An account of the advances received, paid, refunded or its adjustments.
- An account of tax payable, either under forward charge or reverse charge, tax collected and tax paid.
- An account of the input tax credit, its availment and utilization.
- Name and addresses of the suppliers and the customers.
- Addresses of all the storage facilities, including for the goods in transit.
- Apart from a registered person involved in regular trading activity, we can further differentiate a registered person based on the nature of the activity as follows:
  - Agents
  - Manufacturers
  - Service providers
  - Works contractor
  - Owner or operator of storage facility
  - Transporter
  - Principal of Job worker

Given below are the additional requirements in relation to the contents of the records to be maintained by each of the above-mentioned registered persons:

### **Agent**

In relation to the principal-agent relationship, apart from maintaining his own

## **Contents of Accounts**

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records in the regular course of business, an agent is also required to maintain the following details for the activities conducted on behalf of the principal:

- Authorization from the principal to receive or supply the goods or services.
- Accounts furnished to every principal.
- Particulars like description, quantity, value of goods or services received.
- Particulars like description, quantity, value of goods or services supplied.
- Tax paid on receipts or supply of the goods or services.

### **Manufacturer**

In case of manufacturing activity, a registered person shall ensure that the following are maintained in relation to the monthly production accounts in addition to the other regular records:

- Quantitative details of the raw materials or services used in the manufacturing process.
- Quantitative details of the goods manufactured.
- Quantitative details of the waste and by-products.

### **Service Provider**

In case of a registered person engaged in provision of services, he shall maintain the following additional records other than those required under the normal course of business:

- Quantitative details of the goods used to provide the service.
- Record of the input services utilised to provide the service.
- Record of the services supplied.

### **Works Contractor**

In case of a registered person executing a works contract, additional records for each works contract shall be maintained with the following contents:

- Name and address of the person allotting the contract.
- Particulars like description, quantity, value of goods or services received for execution.

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- Particulars like description, quantity, value of goods or services utilized for execution.
- Details of payments received towards the contract.
- Name and address of the suppliers of goods or services.

### **Owner or operator of a storage facility**

In case of a person, whether registered or not, engaged in the activity of storage, either as an owner or operator, he is required to ensure the following for the goods stored at the premises for such period:

- Particulars of the dispatch, movement, receipt and disposal of the goods.
- Facility to identify the goods stored owner-wise and item-wise.
- Facility for physical verification or inspection by the proper officer.

The above requirements are in addition to the regular records required to be maintained by the owner or operator of a storage facility on his own capacity.

### **Transporter**

In the case of a transporter, the records to be maintained for each of its branches are as follows:

- Particulars of the goods transported and goods delivered.
- Particulars of the goods in transit.
- GSTIN of the consignor and consignee, who are registered.

The transporter shall also maintain other regular records required to be maintained in the normal course of business.

### **Principal of Job Worker**

In the case of a job work activity, section 143(2) casts the responsibility on the principal for maintaining adequate records in respect of the following instead of the job worker :

- Particulars of the goods dispatched to the job worker.
- Particulars of the goods received from a job worker.
- Particulars of the goods sent from one job worker to another.
- Particulars of the goods directly supplied from the premises of the job worker.
- Record of the wastage or scrap lying with the job worker.



## Chapter 9

# Manner of Maintaining Accounts

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The registered person is allowed to maintain the accounts and records in manual or electronic form (hereinafter called as 'e-form'). In case of manual form, each volumes of the books of accounts are required to be serially numbered, whereas, in case of e-form of records the following conditions shall have to be adhered to:

- The records shall be duly authenticated by a digital signature of the authorized signatory.
- Proper back-up facility of the records to ensure restoration of the information lost due to any eventuality.
- To provide authenticated records in hard copy or in electronically readable format whenever demanded.
- To provide passwords and such other necessary particulars to access the records in e-form along with a printed sample copy of the information stored in such records.

As per rule 56(7) of the CGST Rules, 2017, it is relevant to note that, the accounts and records shall include any e-form of data on any kind of electronic devices lying at the principal place of business and the additional place(s) of business. For instance, computers, laptops, compact disks, DVDs, USB devices etc., at the aforementioned locations shall also get covered and tax authorities can duly verify the same.

As per rule 56(8), with regard to the alterations of registers, accounts and records, the following shall be noted:

- No entry in the records shall be erased, effaced or overwritten.
- Incorrect entries, other than of clerical nature, shall be scored out under attestation and then correct entry shall be recorded.
- In case of e-form of records, a log of all the changes and deletion of the entries shall be maintained.

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Therefore, the law requires that the registered person shall maintain adequate transparency in the records. Any changes in the contents of records shall be duly authenticated and documented. Illegal changes of contents in records of preceding periods are not tolerable in the eyes of law and shall always be discouraged. However, any genuine alteration in the records shall be allowed, but the onus of proving the same shall always lie on the registered person.

# Chapter 10

## Period of Retention

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In general, retention period refers to the duration up to which the accounting records and such related documents shall have to be preserved. The period of retention under various provisions of the other legislations in force like Income Tax Act 1961, Companies Act, 2013, Prevention of Money Laundering Act 2002, SEBI Act and Regulations etc., ranges between 3 to 8 years from the prescribed date.

Under GST Law, a registered person is required to retain the books of accounts and other records for a period of 72 months i.e., for 6 years, as directed under section 36 of the CGST Act, 2017. This period shall be reckoned from the due date of filing of the annual return for the year to which the accounts and records pertain. In general, the due date for filing of annual return falls within 9 months of the end of the financial year, and therefore, the period of retention shall be 81 months from the end of the financial year.

Due to genuine hardships faced by the taxpayers, the tax authorities have been positively allowing multiple extensions of the due date of filing of the annual returns. This shall have a consequential impact on the retention period as well; as in case the tax authorities extend the due date of filing of the annual return, then such extended date shall be considered for calculating the retention period. The Table below illustrates few instances:

Period	Due date of filing of annual return		Retention up to
Apr 2017 to Jun 2017	NA		NA
Jul 2017 to Mar 2018*	Category A	Feb 03, 2020	Feb 03, 2026
	Category B	Feb 05, 2020	Feb 05, 2026
	Category C	Feb 07, 2020	Feb 07, 2026
Apr 2018 to Mar 2019	Dec 31, 2020		Dec 31, 2026
Apr 2019 to Mar 2020	Mar 31, 2021		Mar 31, 2027
Apr 2020 to Mar 2021	Feb 28, 2022		Feb 28, 2028

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\* Due date for furnishing Annual Return & Reconciliation Statement in Form GSTR-9/ GSTR-9C for FY 2017-18

Category	State	Due date for GSTR-9, 9A and 9C
A	Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Puducherry, Telangana, Andhra Pradesh, Other Territory	3 <sup>rd</sup> February 2020
B	Jammu and Kashmir, Himachal Pradesh, Punjab, Chandigarh, Uttarakhand, Haryana, Delhi, Rajasthan, Gujarat	5 <sup>th</sup> February 2020
C	Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Andaman & Nicobar Islands, Jharkhand, Odisha, Chhattisgarh, Dadra and Nagar Haveli and Daman and Diu, Lakshadweep, Madhya Pradesh, Uttar Pradesh	7 <sup>th</sup> February 2020

In case of section 62(1) of the CGST Act, 2017 i.e., assessment of non-filers of returns, the tax authorities can carry out a best judgement assessment with material available in hand and pass on order of assessment within 5 years from the due date of filing of the annual return. Likewise, even a notice under section 73 or section 74 of the CGST Act, 2017 can be issued within three years or five years of due date of filing of the annual return, as the case may be. The period for issuing aforementioned orders or notices, falls well within the retention period of 72 months under section 36 of the CGST Act, 2017.

In respect of persons involved in an appeal, revision or any proceedings before any appellate authority or revisionary authority or appellate tribunal or court, or investigation for an offence under Chapter XIX of the CGST Act, 2017, the books of accounts and other records shall be retained up to the date, which is later of the following:

- Up to 72 months from the due date of furnishing of the annual return.
- Up to 1 year from the final disposal of the appeal, revision or proceedings or investigation.

### Period of Retention

For instance, say a registered person has filed an appeal for a subject matter pertaining to FY 2019-2020. Assuming various disposal dates, find below a tabular representation of the retention period:

<b>Annual Return Due Date</b>	<b>Appeal/Revision disposal Date</b>	<b>Retention Up to</b>
Mar 31, 2021	Sep 22, 2024	Mar 31, 2027
Mar 31, 2021	Apr 01, 2025	Mar 31, 2027
Mar 31, 2021	May 31, 2026	May 31, 2027
Mar 31, 2021	Dec 31, 2026	Dec 31, 2027
Mar 31, 2021	Mar 15, 2027	Mar 15, 2028

Readers must note that, the period of retention has a direct link with the actions or proceedings by the tax authorities on registered persons. It acts as a time bar within which the tax authorities shall restrain their actions. Therefore, upon expiry of the retention period for a particular financial year, registered person is not obligated to produce accounts, records, documents etc., relating to such period to the tax authorities.

# Chapter 11

## Audit of Accounts

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*The discussion in the ensuing paragraphs is relevant only for the financial years 2017-18, 2018-19 and 2019-20 when sub-section (5) of section 35 providing for audit was in force.*

The term audit has been defined under GST Law vide section 2(13) of the CGST Act, 2017. The definition mandates the following under an audit:

- Examination of records, returns and other documents to verify the correctness of-
  - Turnover declared
  - Taxes paid
  - Refund claimed
  - Input tax credit availed
- Assessment of the compliances as per GST Law.

Prior to 01.08.2021, section 35(5) of the CGST Act, 2017 provided for audit of annual accounts of a registered person by a Chartered Accountant or a Cost Accountant on exceeding the 'aggregate turnover' limit of two crore rupees as mentioned under rule 80(3) of the CGST Rules, 2017. This limit was increased to five crore rupees for the FY 2018-19 and 2019-20 respectively.

*As per the Finance Act, 2021, effective from 01.08.2021, the said sub-section (5) of section 35 of the CGST Act, 2017 has been omitted. Consequently, the requirement of audit of annual accounts by a Chartered Accountant or a Cost Accountant has been withdrawn thereafter. Hence, effective from FY 2020-21, the filing of the reconciliation statement in Form GSTR-9C shall be continued on a self-certification basis only.*

The term 'aggregate turnover' has been defined under section 2(6) of the CGST Act, 2017. It includes aggregate value of all taxable supplies, exempted supplies, exports and inter-State supplies (of persons having same PAN); and excludes inward supplies under reverse charge and taxes paid under GST Law. It is interesting to note that the provisions require threshold

limit to be calculated on an all-India basis under a common PAN, but the audit has to be conducted for each GST registration separately. Thus, for instance, if a multi-location entity with an aggregate turnover of 100 crore rupees has GST registrations in ten different States, then the audit shall be conducted for all the GST registrations, irrespective of the actual aggregate turnover limit under each GST registration.

The Government vide the Central Goods and Service Tax (Amendment) Act, 2018 (Act No. 31 of 2018) dated August 29, 2018 has inserted a Proviso to section 35(5) of the CGST Act, 2017, effective from February 01, 2019, to exclude the following registered persons from the purview of the GST audit:

- Departments of Central Government or State Government whose books are subject to audit by the Comptroller and Auditor-General of India.
- Local Authority whose books are subject to audit by an auditor appointed for auditing the accounts under any law.

It is relevant to note that, registered persons like Government entity and Governmental authority are not part of the above said exclusions. Hence the audit provisions still apply to such entities even though they are subjected to audit by the Comptroller and Auditor-General of India. Further, those entities which are covered under the term 'local authority' as defined under section 2(69) of the CGST Act, 2017, are only to be covered under the above said exclusion.

The submission of the audit report has been online in nature and the prescribed records to be uploaded on the common portal, as per section 35(5) read with rule 80(3) of the CGST Rules, 2017, are as follows:

- Annual return.
- Annual audited accounts.
- Reconciliation statement in Form GSTR-9C along with the certifications.

**Note:** For an in-depth clarity on the annual returns and GST audit, refer the 'Handbook on Annual Return under GST' and 'Technical Guide on GST Audit' released by the GST & Indirect Tax Committee of ICAI.

# Chapter 12

## Powers of Tax Authorities

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As empowered under the section 35(3) and 35(4) of the CGST Act, 2017, the Commissioner has the authority to recommend the following:

- To notify a class of taxable persons to maintain additional accounts and records.
- To relax the requirement of maintaining accounts and records for a class of such taxable persons, who are facing difficulty in maintaining the records as per the provisions of GST Law.

Though the power to recommend additional records has not been used till date, the authorities have exercised the power of relaxation of maintenance of specific records from time to time as follows:

- *Circular(s) 23/23/2017-GST dated December 21, 2017 and 47/21/2018-GST dated June 08, 2018:* The principal and an auctioneer of tea, coffee, rubber etc., were required to declare such storage locations as an additional place(s) of business, where their goods are stored. Thereby, they were required to maintain respective books of accounts as well. Due to difficulty in implementing the same, tax authorities have issued *Circular Nos. 23/23/2017-GST dated December 21, 2017 and 47/21/2018-GST dated June 08, 2018* respectively, clarifying that both of them can maintain the books of accounts related to their additional place(s) of business at their principal place of business itself, under an intimation about the such decision to the jurisdictional tax officer.
- *Circular 61/35/2018-GST dated September 04, 2018:* Similarly, in case of transporters, who sometimes provide temporary storage facility to the recipient of goods, this circular obligates both the parties to maintain the required records under section 35 of the CGST Act, 2017. To mitigate the hardships faced by them, *Circular No. 61/35/2018-GST dated September 04, 2018* has been issued clarifying that, the recipient shall declare the location of the transporter as an additional place(s) of business and the recipient can maintain the books of accounts for the goods stored at the transporter's location at his principal place of business itself.



## Powers of Tax Authorities

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Similarly, tax authorities can impose various actions in relation to accounts and records, based on the circumstances of each case, as follows:

- On failure to account for the goods or services or both, the tax authorities can determine the tax payable on the same under section 73 or section 74 of the CGST Act, 2017, as if the said goods or services or both have been supplied by such registered person. [section 35(6) of the CGST Act, 2017]
- In case any taxable goods are found to be stored, without any valid documents at any place(s) other than those mentioned under rule 56(5) i.e.,
  - Name and complete address of the suppliers as per records
  - Name and complete address of the customers as per records or
  - Complete address of the storage locations, including for goods in transit

then the tax authorities (proper officer) can determine tax liability on the said goods presuming that the goods have been supplied by the registered person. [Rule 56(6) of the CGST Rules, 2017]

- In case any documents, registers, or any books of accounts belonging to a registered person are found at a place other than those mentioned in the GST registration certificate, then tax authorities shall presume that the said records belong to the said registered person, unless proved otherwise. [Rule 56(10) of the CGST Rules, 2017]
- The owner or operator of a storage facility shall store the goods owner-wise and item-wise and shall facilitate physical inspection of the goods maintained by the tax authorities when demanded. [Rule 58(5) of the CGST Rules, 2017]

The tax authorities have also been empowered to inspect, search and seize the records, and specific provisions related to accounts and records are as given below:

- The tax authorities can search and seize the records where they have reason to believe that such records shall be relevant to them under any proceedings under GST Law and are being secreted at any place. Such records can be retained till such proceedings only. (Section 67(2) of the CGST Act, 2017)

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- The records which have not been relied upon for issue of a notice cannot be retained for a period exceeding 30 days of issue of the said notice. (Section 67(3) of the CGST Act, 2017).
- The tax authorities can seal any premises or break open any premises, almira, electronic devices, box etc., where the accounts are suspected to be concealed and no access being provided to them. [Section 67(4) of the CGST Act, 2017]
- Copies or extracts of the seized records can be taken, except in case where the tax authorities believe that it may prejudicially affect the investigation. [section 67(5) of the CGST Act, 2017]
- For the purpose of audit, scrutiny or any verification, the tax authorities shall be allowed access to any place of business to inspect the records. Further, the records maintained, trial balance, audited annual financial accounts, cost audit report, income tax audit report etc., are required to be submitted to the tax authorities for scrutiny within 15 days of demand of such records or within such extended period. [section 71 of the CGST Act, 2017]

## Chapter 13

# Offences, Penalties and Punishments

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As discussed in the preliminary sections of this Handbook, ignorance of law cannot be an excuse. Hence, GST Law provides for penal and punitive provisions in relation to the *non-compliances pertaining to accounts and records* as explained in the following paragraphs.

- A penalty of higher of the tax evaded or twenty thousand rupees (ten thousand rupees each under CGST Act and respective SGST Act) can be levied by the tax authorities for the following offences as per the various provisions of the CGST Act, 2017:
  - Falsification or substitution of records or returns, production of fake accounts or documents, or provide false information intending to evade tax [Section 122(1)(x)]
  - Failure to maintain or retain records [Section 122(1)(xvi)]
  - Non-submission or false submission of information or records called for or under any proceedings [Section 122(1)(xvii)]
  - Tampering or destroying any material evidence [Section 122(1)(xx)]

Further, any person abetting the above said offences shall also be liable to a penalty of up to fifty thousand rupees (twenty-five thousand rupees each under CGST Act and respective SGST Act) [Section 122(3) of CGST Act, 2017].

- Punitive action i.e., imprisonment ranging from six months to five years and a fine can be imposed by the tax authorities for the following offences under section 132 of the CGST Act 2017 -
  - Falsification of records intending to evade tax [Section 132(1)(f)] (Imprisonment upto six months or fine or both)
  - Tampering or destroying any material evidence [Section 132(1)(j)] (Imprisonment upto six months or fine or both)
  - Non-submission or false submission of information [Section 132(1)(k)] (Imprisonment from 1 year to 5 years with fine based on amount involved in offence as given in the table below)

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Further, any person abetting the above-mentioned offences shall also be liable for similar punishment.

<b>Amount involved</b>	<b>Imprisonment</b>	<b>Fine</b>
Between Rs.1 to 2 Crores	Up to 1 year	Yes
Between Rs. 2 to 5 Crores	Up to 3 years	Yes
More than Rs. 5 Crores	Up to 5 years	Yes

*Note: For a detailed analysis of the punishments for all offences, kindly refer Handbook on Interest, Late Fee and Penalties under GST published by GST & Indirect Taxes Committee of ICAI.*

## Chapter 14

# Enrollment of Transporters or Storage Facilities

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The owners or operators of storage facilities and transporters are required to maintain adequate records as provided under section 35(2) of the CGST Act, 2017. This section not only applies to registered persons under GST Law, but also to those who may be operating on a smaller scale and their turnover threshold may not require them to get registered under Chapter VI of the CGST Act, 2017. In such a scenario, such persons can also get enrolled on the common portal i.e., on [www.ewaybill.nic.in](http://www.ewaybill.nic.in) as prescribed under rule 58(1) of the CGST Rules, 2017. This enrollment can be undertaken for the following four categories:

- Transporter
- Owner or operator of godown
- Owner or operator of warehouse/depot
- Owner or operator of cold storage

A 15-digit unique enrolment number shall be generated after the validation of the application submitted through FORM GST ENR-01 electronically. It shall be the identification number of such person(s) for satisfying the requirements under section 35(2) of the CGST Act, 2017.

Effective from June 19, 2018 (Notification No.28/2018-CT Dated 19.06.2018), for the transporters who are registered in more than one State or Union Territory under the same permanent account number, a common unique enrolment number can be applied in FORM GST ENR-02. This form allows the transporters to add all the State specific GSTIN to generate a 15-digit unique common enrolment number starting with 88, to be used on all India basis. Further, after obtaining the common unique enrolment number, such transporters shall not be allowed to use any of their GSTINs for e-way bill purposes covered under Chapter XVI of the CGST Rules, 2017. For the movement of goods, the said number shall only be used in Part-B of the e-way bills also, a transporter can create multiple logins for his various branches for the ease of generating the e-way bills from different locations.

# Chapter 15

## Comparison with Erstwhile Regimes

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The maintenance of records under GST Law is a combination of all the pre-GST regimes i.e., Central Excise, Service Tax and State VAT Laws. Given in the following paragraphs is a gist of the requirements in relation to the accounts and records under the erstwhile regime.

### Records under service tax regime

In the erstwhile service tax regime, the provisions relating to maintenance of the records were provided under rule 5 of the Service Tax Rules, 1994.

- The records including computerized data as maintained by the assessee in accordance with various laws in force are accepted.
- Assessee shall intimate to the Superintendent of Central Excise at the time of filing of the first return, with a list in duplicate containing-
  - All accounting records maintained for –
    - ✓ Providing of any service
    - ✓ Details of input services and payments towards the same
    - ✓ Details of inputs and capital goods
    - ✓ Details of other activities, like manufacture and sale of goods
  - Other financial records maintained in the normal course of the business.
- In case of electronic form of records, each page shall be duly authenticated by a digital signature.
- Retention period is five years after the end of the financial year.

On comparison of GST regime with the Service Tax regime, we can understand that, for service providers, the GST regime demands more efforts for maintaining the records.

## **Records under central excise regime**

Under the central excise regime, Rule 10 of the Central Excise Rules, 2002 has been governing the requirements for maintenance of the records as follows:

- Daily stock account shall be maintained for the goods produced or manufactured with -
  - Description
  - Opening balance
  - Quantity manufactured
  - Closing balance
  - Quantity removed
  - Assessable value
  - Duty payable and actually paid
- First and last page shall be authenticated by the manufacturer or the authorized agent.
- In case of electronic form of records, each page shall be duly authenticated by a digital signature.
- Retention period of five years after the end of the financial year.

Chapter 6 of the Central Excise Manual prescribes the following in relation to the private records:

- A list in duplicate to be submitted to the tax authorities containing the details of-
  - All records prepared or maintained for accounting of the transactions related to receipt, purchase, manufacture, storage, sales or delivery of goods, including inputs and capital goods.
  - All records related to receipt, procurement or payment of input services.
- Modifications in the list shall also be communicated to the tax authorities.
- On demand, submit the financial records like trial balance or equivalent, cost audit report, income tax audit report etc.,

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- Separate records for each factory shall be maintained and stored at such location itself.
- Record shall also include accounts, agreements, sales invoice, purchase invoice, price-list, return, statement, delivery challan, journal voucher, debit note, credit note etc.,

Additionally, rule 9 of the CENVAT Credit Rules, 2004, prescribes the records to be maintained as follows:

- Manufacture or service provider shall maintain records for receipt, disposal, consumption and closing balance of the input and capital goods with details like supplier, value, duty paid, CENVAT Credit taken and utilised.
- Manufacture or service provider shall maintain records for receipt and consumption of the input services with details like supplier, value, duty paid, CENVAT credit taken and utilised.

On a broader note, the records under the GST regime are more or less identical to the central excise regime. Hence, for the manufacturers who were maintaining the records under the erstwhile regime, things have not changed much. Like service tax regime, in central excise regime as well, the provision of audit of the accounts and records is absent.

### **Records under State VAT regime**

The VAT laws in the States are legislated with the concept of true and correct accounts as well. Further, they prescribe minutiae of the details like statutory forms, purchase tax details, customs clearance certificates, to be maintained for accounts and records similar to the GST regime. State laws prescribe specific or additional records for small dealers, works contracts, cold storage plants, warehouses, godowns, agents, clearing and forwarding agents, etc., Some State VAT laws had provisions for the audit of accounts and records on exceeding a specific turnover threshold. In relation to the retention period, State VAT laws have varied criteria and in a nutshell the period of the retention falls between 5 years to 8 years from such prescribed date.



## Chapter 16

# Miscellaneous Aspects

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This Handbook discusses the provisions as mandated under section 35 and section 36 of the CGST Act, 2017. Nonetheless, there can be areas where book-keeping may have to travel beyond the contents mandated under the aforesaid provisions for better compliances. Hence, some additional areas which can also be included towards record maintenance which are **recommendatory** in nature could be the following:

- Accounting plays an abetting role for the registered person in clarifying issues raised by the tax authorities at a later stage. Hence adequate care shall be taken by the registered person while accounting, especially, for litigated matters, high value transactions, complex agreements etc.,
- Principles followed under the GST law and as prescribed under the Accounting Standards may not be on similar lines. Therefore, adequate reconciliations and such other explanatory statements can be maintained explaining differences, if any.
- Details of the Harmonised System of Nomenclature (HSN) in case of goods and Service Accounting Codes (SAC) in case of services shall be recorded for the transactions at all possible levels of book keeping.
- Special attention to be given towards recording of the place of supply, registration details of the vendors and customers.
- Adequate records for additional procedures prescribed for supplies involving ISD, SEZ, EOU etc., to be maintained.
- Recording of the inward supplies can be done as inputs, input services and capital goods. Further, identification of attributability of the inward supplies with the outward supplies i.e., taxable, non-taxable, exempted, NIL rated, zero rated etc., can also be recorded.
- Units of measurements for the quantitative details, wherever required shall be carefully recorded, especially, in manufacturing concerns.
- Comprehensive registers for e-way bills, financial credit notes can also be maintained.

## **Handbook on Accounts and Records under GST**

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- Adequate documents to be maintained for cross border transactions involving foreign exchange.
- Proper documentary evidence to be preserved for transactions involving non-monetary consideration, free supplies, gifts, goods lost, stolen, destroyed or written off.
- Worksheets for the valuation issues, input tax credit reversals, reverse charge, interest calculations, refund calculations, annual reconciliations etc., can be prepared.
- For industries like construction sector, the project-wise and apartment wise databases can also be maintained.

# Chapter 17

## FAQs & MCQs

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### FAQs

**Q1.** *Who shall have to maintain books of accounts?*

**Ans.** As mandated under section 35(1) of the CGST Act, 2017, every registered person shall maintain the accounts and records.

**Q2.** *Where the records are to be maintained by the registered person?*

**Ans.** The records are required to be maintained at the principal place of business and such additional place(s) of business as mentioned under the GST registration certificate.

**Q3.** *Can records be maintained in electronic form?*

**Ans.** Yes. A registered person can maintain the accounts and records either in manual form, electronic form or both together.

**Q4.** *What are the accounts and records to be maintained?*

**Ans.** The primary records under section 35 are as follows:

- Production or manufacture of goods
- Inward or outward supply of goods or services or both
- Stock of goods
- Input tax credit availed
- Output tax payable and paid
- Such other prescribed records

**Q5.** *Can tax authorities relax the provisions of maintenance of records?*

**Ans.** Yes. As mandated under section 35(4) of the CGST Act, 2017, the tax authorities are empowered to relax the provisions for maintenance of books of accounts and other records due to the hardships faced by the taxable person.

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**Q6.** *Can a registered person maintain records related to additional place of business at the principal place of business itself?*

**Ans.** No. The registered person is required to maintain the records related to the respective locations at such locations. Moreover, there is no restriction in maintaining the records of additional place of business at the principal place as well.

**Q7.** *Is an unregistered warehouse operator or transporter also required to maintain records?*

**Ans.** Yes. An unregistered warehouse operator or transporter is also required to maintain records relevant to storage of goods belonging to a registered person.

**Q8.** *What is the duration for maintaining the records under GST Law?*

**Ans.** Accounts and records for a financial year under the GST Law can be retained up to 72 months from the due date of filing of annual returns for such financial year.

### MCQs

**Q1.** Where the accounts and records are not to be maintained?

- (a) Principal place of business
- (b) Branches
- (c) Residence of the owners or promoters
- (d) Godown or depot

**Ans.** (a) Residence of the owners or promoters

**Q2.** Which of the following is not specifically prescribed as a record under section 35 of the CGST Act, 2017?

- (a) E-way Bills Records
- (b) Stock Records
- (c) Input tax credit records
- (d) Output tax records

**Ans.** (a) E-way Bills Records

**Q3.** Which of the following is not required to comply with section 35 of the CGST Act, 2017?

- (a) Special Economic Zones
- (b) Embassy of foreign countries
- (c) Export Oriented Units
- (d) Central or State Government

**Ans.** (b) Embassy of foreign countries

**Q4.** Which of the following statement is incorrect?

- (a) Entry in the accounts cannot be erased
- (b) Entry in the accounts can be corrected for clerical errors
- (c) Entry in the accounts cannot be scored out with attestations
- (d) No record of the changes in electronic records to be maintained

**Ans.** (d) No record of the changes in electronic records to be maintained

**Q5.** Who can apply for FORM GST ENR-02?

- (a) Cold Storage
- (b) Warehouse Owner
- (c) Transporter
- (d) Composition Dealer

**Ans.** (c) Transporter

**Q6.** To which of the following GST audit does not apply?

- (a) Special Economic Zone
- (b) Governmental Authority
- (c) Registered Person with aggregate turnover > 2 crore rupees
- (d) Local Authority subject to audit under any other law

**Ans.** (d) Local Authority subject to audit under any other law

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**Q7.** From which financial year. the requirement of GST audit by a CA/CWA has been withdrawn?

- (a) FY 2018-19
- (b) FY 2019-20
- (c) FY 2020-21
- (d) Not withdrawn

**Ans.** (c) FY 2020-21

**Q8.** What is the minimum penalty under section 122 of the CGST Act, 2017?

- (a) Ten thousand rupee
- (b) One lakh rupee
- (c) Five hundred rupee
- (d) Thirty thousand rupee

**Ans.** (a) Ten thousand rupee

**Q9.** The period for retention of accounts and records for a FY under GST law \_\_\_\_\_?

- (a) 5 Years from the end of Financial Year
- (b) 72 Months from the due date of Annual Return
- (c) 7 Years from the due date of Annual Return
- (d) 72 Months from the end of Financial Year

**Ans.** (b) 72 Months from the due date of Annual Return

## Annexure – A

### FORM GST ENR-01

[See rule 58(1)]

### Application for Enrolment under section 35(2)

[only for un-registered persons]

1.	Name of the State	
2.	(a) Legal name	
	(b) Trade Name, if any	
	(c) PAN	
	(d) Aadhaar (applicable in case of proprietorship concerns only)	
<b>3.</b>	<b>Type of enrolment</b>	
	(i) Warehouse or Depot	(ii) Godown
	(iii) Transport services	(iv) Cold Storage
<b>4.</b>	<b>Constitution of Business (Please Select the Appropriate)</b>	
	(i) Proprietorship or HUF	(ii) Partnership
	(iii) Company	(iv) Others
<b>5.</b>	<b>Particulars of Principal Place of Business</b>	
(a)	Address	
	Building No. or Flat No.	Floor No.
	Name of the Premises or Building	Road or Street
	City or Town or Locality or Village	Taluka or Block
	District	
	State	PIN Code
	Latitude	Longitude

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(b)	<i>Contact Information (the email address and mobile number will be used for authentication)</i>				
Email Address		Telephone	STD		
Mobile Number		Fax	STD		
(c)	<i>Nature of premises</i>				
Own	Leased	Rented	Consent	Shared	Others (specify)
6.	Details of additional place of business – Add for additional place(s) of business, if any (Fill up the same information as in item 5 [(a), (b), and (c)])				
7.	Consent				
<p><i>I, on behalf of the holder of Aadhaar number &lt;pre-filled based on Aadhaar number provided in the form&gt; give consent to “Goods and Services Tax Network” to obtain my details from UIDAI for the purpose of authentication. “Goods and Services Tax Network” has informed me that identity information would only be used for validating identity of the Aadhaar holder and will be shared with Central Identities Data Repository only for the purpose of authentication.</i></p>					
8. List of documents uploaded (Identity and address proof)					
9. Verification					
I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.					
Place:			Signature		
Date:			Name of Authorised Signatory		
<b>For Office Use:</b>					
Enrolment no			Date-		



## Annexure – B

### FORM GST ENR-02

[See Rule 58(1A)]

#### Application for obtaining unique common enrolment number

*[Only for transporters registered in more than one State or  
Union Territory having the same PAN]*

1.	(a) Legal name	
	(b) PAN	

#### 2. Details of registrations having the same PAN

Sl. No	GSTIN	Trade Name	State/UT

#### 3. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Place: \_\_\_\_\_ Signature  
Name of Authorised Signatory

Date: \_\_\_\_\_ Designation/Status.....

#### **For office use**

Enrolment no. - \_\_\_\_\_ Date - \_\_\_\_\_