

Government issues draft rules for accounts and records, appeals and revision, and advance ruling

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In brief

The Central Government has issued draft rules for accounts and records, appeals and revision, and advance ruling. This is in addition to rules issued earlier for comments from the stakeholder. With this, the Government has issued most of the rules for the Goods and Services Tax (GST) regime.

In detail

Some of the salient features of the rules are as below:

Accounts and records rules

- **Every registered person** is required to maintain:

- A true and correct record of:
 - o Goods or services imported or exported; or
 - o Supplies attracting payment of tax under reverse charge.
- Record to be maintained along with relevant documents, including invoices, bills of supply, delivery challans, e-way bills, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.

- These details are required to be maintained separately for each activity, including manufacturing, trading and services:

- Accounts of stock for each commodity received and supplied;
Such account should contain particulars of opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock, including raw materials, finished goods, scrap and wastage.

This does not apply to persons paying tax under composition scheme;

- Separate account of advances received, paid and adjustments made thereto;
- Account containing details of tax payable (including under reverse charge), tax collected and paid, input tax credit claimed (not applicable persons

paying tax under composition scheme);

- Register of tax invoices, credit notes, debit notes, delivery challans issued or received during any tax period (not applicable to persons paying tax under composition scheme);
- Names and addresses of persons from whom goods or services are received and to whom goods or services are supplied;
- Complete address of premises where the goods are stored, including goods stored during transit, along with particulars of the stock stored therein.

If the goods are found to be stored at any undeclared place, tax would be payable on such goods as if they are supplied by the registered person.

- Additional requirements for **specified categories of registered persons:**
 - Every manufacturer is required to 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 waste and by-products.
 - Every service provider is required to maintain the accounts showing the quantitative details of goods used in the provision of each service, details of input services utilised and the services supplied.
 - Every person executing works contract is required to maintain separate accounts for each works contract, specifying:
 - Name and address of the persons on whose behalf the works contract is executed;
 - Description, value and quantity of goods and services received and utilised for the execution of each works contract;
 - Details of payment received in respect of each works contract; and
 - Name and addresses of suppliers from whom goods and services are received.
 - An agent shall maintain books of accounts mentioning:
 - Authorisations received from each principal to receive/ supply goods/ services on behalf of each principal separately;
 - Description, value and quantity of goods/ services received/ supplied on behalf of every principal;
 - Details of accounts furnished to every principal; and
 - Tax paid on such receipts and supplies effected on behalf of every principal.
 - A carrier or a clearing and forwarding (C&F) agent, having custody of goods for delivery/ dispatch on behalf of a registered person, is required to maintain true and correct records in respect of such goods handled by him. The rules do not mention any specific records, which need to be maintained.
 - Every owner or operator of warehouse or godown or any other place used for storage of goods is required to:
 - Maintain books of accounts, with respect to the period for which particular goods remain in the warehouse, including particulars relating to dispatch, movement, receipt and disposal of such goods; and
 - Store the goods in such manner that they can be identified item wise and owner wise and facilitate any physical verification by tax authorities.
- If owner or operator of warehouse or godown or transporter is not registered, he should submit the details regarding his business electronically on the common portal in FORM GST ENR-01. On validation, a unique enrolment number shall be generated and communicated to the said person and said person shall be deemed to be enrolled for the purpose of these rules.
- Every transporter shall maintain records of goods transported, delivered and goods stored in transit by him and for each of his branches.
- **General conditions and obligations:**
 - Every registered person is required to keep the books of accounts at (i) principal place of business and (ii) at every registered place.
 - Every volume of books of account maintained is required to be serially numbered.
 - Any entry in registers, accounts and documents should not be overwritten or deleted in any manner. All incorrect entries are to be scored out under attestation and correct entry to be recorded afterwards. Where the registers and other documents are maintained electronically, a log of every entry edited or deleted is to be maintained.
 - Accounts and other records (such as invoices, bill of supply, debit and credit notes) are to be preserved until the expiry of seventy-two months from the due date of furnishing of annual return for the year and are to be kept at every related place of business mentioned in the certificate of registration.
 - If any documents belonging to a registered person are found at any premises

other than the registered premises, such documents etc. will be presumed to be maintained by the said registered person.

Electronic records

- Records can be maintained in electronic form. Books of accounts include any data stored electronically. The records so maintained are required to be authenticated by a digital signature.
- Every person is required to maintain electronic back-up of records for restoration of information within reasonable period of time in case of destruction of records due to accident or natural causes.
- Every person is required to provide, on demand, an account of the audit trail and inter-linkages, including the source document, whether paper or electronic, and the financial accounts, record layout, data dictionary and explanation for codes used and total number of records in each field along with sample copies of documents.

Advance rulings rules

- The Centre and the State government will appoint an officer with at least three years of experience at the rank of

Joint Commissioner as a member of the Authority for Advance Rulings.

- The application for advance rulings can be filed on the common portal in Form GST ARA-1 along with a fee of INR 5,000/-.
- An appeal against the advance rulings issued can be filed on the common portal in Form GST ARA-2 along with a fee of INR 10,000/-.

Appeals and revision rules

- The rules prescribe various forms to be used for filing appeals and revision applications.
- The rules prescribe that an appeal by a taxpayer can be filed online with submission of all the hard copies of supporting documents in seven days. If the supporting documents are submitted in seven days of filing appeal, the date of online filing of the appeal is considered as the date of filing of appeal and in case of delay, the date of filing of appeal is the date of physical submission of appeal.
- The draft rules have also provided guidelines for submission of additional evidence not produced before the adjudicating/appellate authority as the case may be.
- The fees for filing of appeal is INR 1000/- for every INR 0.1 million of the disputed amount, subject to

maximum of INR 25000/-.

The takeaways

- The accounts and records rules prescribe extremely onerous recordkeeping requirements, such as separate records for manufacturing, trading, provision of services, separate records to be maintained for every executed works contract. Further, quite stringent requirements have been prescribed for agents, transporters, C&F agents and warehouse owners and operators.
- Considering the Government's stated intention of introduction of GST with effect from 01 July 2017, it would be a very difficult task for the industry to make changes in the IT systems to adhere to the recordkeeping requirements.
- The industry needs to consider representing against some of the stringent requirements, like maintenance of separate records for different activities, which seem to defy the objective of simplification and rationalisation of compliances and ease of doing business in the GST regime.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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