

Accounts and Records

5. Introduction

Accounts and Other Records play a very important role in GST Regime due to multiple reasons. Firstly, GST is an accounting-based law. Secondly, Input Tax Credit of large numbers of goods or services or both shall be available under GST Regime and in order to maximize the credit, proper accounting and maintenance of proper records is of paramount importance. Accounts and Records are always important for any commercial organisation and introduction of GST is not going to undermine that importance rather it is likely to enhance it. It is the endeavour of the Government to minimise the human interface between the supplier and the administrator of law therefore importance of accounts and records further gets heightened. Lets deals with the provisions contained in Chapter VIII of CGST/SGST Act, read with Accounts and Records Rules, 2017.

5.1 Accounts and Other Records - Section 35

35(1)	True and Correct records to be kept at principal place of business by every registered person			
	(a)	Production or manufacture of goods,	(d)	Input tax credit availed,
	(b)	Inward and outward supply of goods or services or both,	(e)	Output tax payable and paid, and
	(c)	Stock of goods,	(f)	Such other particulars as may be prescribed.
	Such records can be termed as true and correct from which output tax liability, input tax credit and payment of tax can be calculated in a reasonable time and in a fair manner. In case supplier has claimed any concession or exemptions such records should justify such claims.			
	Rule 56(1)	Every registered person shall keep and maintain a true and correct account of following:-		
	(i)	The goods or services imported or exported; or		
	(ii)	Supplies attracting payment of tax on reverse charge along with relevant documents, including invoices, bills of supply, delivery challan, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.		
	Rule 56(2)	Every registered person, other than a person paying tax under Composition Scheme under section 10 , shall maintain accounts of stock in respect of goods received and supplied by him. Further such account shall contain following particulars:		
	(i)	Opening balance	(iv)	Goods lost, stolen, destroyed, written off
(ii)	Receipt	(v)	Goods disposed of by way of gift or free sample; and	
(iii)	Supply	(vi)	Balance of stock including raw material, finished goods, scrap and wastage thereof.	
	Note: This rule uses the term 'shall' while prescribing maintenance of stock records. Hence, these records are to be maintained mandatorily. Exemption has been provided to only such registered person who is discharging his liability of tax under composition scheme.			
First Proviso	<p><u>Keeping of accounts and other records in case of multiple places of business - to Section 35(1)</u></p> <p>Where a registered person is having more than one place of business specified in the certificate of registration, then accounts and other records relating to each place of business shall be kept at such place of business. A supplier may be having centralized accounting,</p>			

	even in such cases in addition to centralized records he has to maintain records for each place of business which may be a duplication of maintenance of records for such supplier.	
Second Provision	<u>Option to maintain accounts and other particulars in the electronic form</u> -to Section 35(1) The registered person shall have the option of maintaining accounts and other particulars in the electronic form in the prescribed manner. Further, Rule 56(15) provides that 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. Rule 57 provides as under regarding generation and maintenance of electronic records:-	
	(a)	<u>Maintenance and preservation of proper electronic back-up of records</u> -Rule 57(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 reasonable period of time.
	(b)	<u>Production of electronic records on demand</u> -Rule 57(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.
	(c)	<u>Production of details of files maintained electronically along with their passwords</u> - Rule 57(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 sample copy in print form of the information stored in such files.
35(2)	<u>Records to be maintained by owner or operator of godown or warehouse and transporters</u>	
	S.No.	Persons to whom Section 35(2) applies
	(i)	Owner or operator of godown or warehouse or any other place used for storage of goods;and
	(ii)	Transporter.
	Every owner or operator of warehouse etc. and every transporter has to maintain records of consignor or consignee and other relevant details of the goods in the manner provided in Rule 58 . It is important to note that it is totally immaterial whether such owner or operator of warehouse etc. or such transporter is a registered person or not, whereas most of the provisions relating to records are applicable to registered person only.	
35(3)	<u>Additional accounts or documents to be maintained</u> The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for any specified purpose. This power has been conferred on the commissioner to meet out the challenge which may arise in the implementation of GST. He can notify any class of taxable person to maintain such additional records which he considered necessary to meet out the objective of Act. It is to be carefully noted that the term used is taxable person and not registered person.	
35(4)	<u>Relaxation for a Specified Class of Taxable Traders</u> Power to the commissioner to permit a class of taxable persons to maintain accounts in such manner as may be prescribed and not in the manner prescribed in this section. This power is to be exercised where in the opinion of the Commissioner it is not feasible for any class of taxable persons to keep and maintain accounts in accordance with the provisions of this section. However, the Commissioner shall have to record the reasons in writing for aforesaid permission given by him.	
	<u>Determination of tax payable on goods or services or both not accounted</u>	

35(6)	To say it in simple and different manner except in situation specified in 17(5)(h) i.e. goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples, provisions of this sub section shall apply. Where the registered person fails to account for the goods or services or both in the accounts and records maintained under the provisions of Section 35(1), the proper officer shall determine the tax payable on the goods or services or both which are not accounted for in its books of accounts or records. The proper officer shall determine the tax payable on the presumption that such goods or services or both had been supplied by such person. It is worth highlighting here that while determining the aforesaid tax payable, provisions of following sections shall apply:	
	Section 73	Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized for any reason other than fraud or any wilful misstatement or suppression of facts.
	Section 74	Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized by reason of fraud or any wilful misstatement or suppression of facts.

Manner of maintaining records by owner / operator of godown or warehouse and transporter	
(a)	<p><u>Communication of a unique enrolment number upon validation of the details furnished- Rule 58(1)</u></p> <p>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.</p>
(b)	<p><u>Unique common enrolment number to the transporter registered in more than one state or UT- Rule 58(1A)</u></p> <p>This rule has been inserted vide w.e.f.19.06.2018 vide N. No. 28/2018-Central Tax, dated 19.06.2018 and provides that for the purposes of E-way 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. Upon validation of the identification number and details furnished, a unique common enrolment number shall be generated and communicated to the said transporter. Further , 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 issuing E-way bills.</p> <p>It is also worth highlighting here that before insertion of Rule 58(1A), generation of E-Way Bills by a transporter registered in many States was an uphill task because the transporter was required to login with the respective GSTINs in various States for generation of E-Way Bills. However, after insertion of Rule 58(1A), the transporters will be able to generate e-way bills for customers across India through a central team, doing away with multiple registrations at the E-Way Bill Portal. Consequently, there shall be ease of GST compliance for the logistic industry.</p>
(c)	<p><u>Deemed enrolment -Rule 58(2)</u></p> <p>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.</p>
(d)	<p><u>Amendment in the details furnished while filing GST ENR-01-Rule 58(3)</u></p> <p>Every person who is enrolled under sub-rule (1) shall, where required, amend the details furnished GST ENR-01 electronically on the Common Portal either directly or through a Facilitation Centre notified by the Commissioner.</p>
(e)	<p><u>Maintenance of records by person engaged in the business of transporting goods -Rule 58(4) (a)</u></p> <p>Any person (not registered person) engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him along with GSTIN of the registered consignor and consignee for each of his branches.</p>

(f)	<u>Maintenance of records by every owner or operator of a warehouse or godown- Rule 58(4) (b)</u> Every owner or operator of a warehouse or godown (whether registered or not) shall maintain books of accounts, 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.
(g)	<u>Manner of storing the goods by the owner or the operator of the godown- Rule 58(5)</u> 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.

5.2 Other rules regarding maintenance of accounts - Rule 56(3) to Rule 56(18)

Rule 56(3)	<u>To Keep and maintain a separate account of advances received, paid and adjustments made thereto</u> Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.
Rule 56(4)	<u>Keeping and maintaining an account of tax payable, tax collected and paid, input tax, ITC claimed</u> Every registered person, other than a person paying tax under Composition Levy Scheme under section 10, shall keep and maintain an account, containing the details of tax payable (including tax payable on Reverse Charge basis in accordance with the provisions of sub-section (3) and sub-section (4) of section 9 of the Act), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period.
Rule 56(5)	<u>Keeping specified particulars of suppliers, recipients and storage premises</u>
	(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 these rules;
(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.	
Rule 56(6)	<u>Determination of tax payable by the proper officer</u> 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.
Rule 56(7)	<u>Keeping books of account at principal of business-</u> 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.
Rule 56(8)	<u>Scoring out of incorrect entries and recording of correct entry</u> Any entry in registers, accounts and documents shall not be erased, effaced or overwritten. Further, all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter correct entry shall be recorded. Besides, where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.
Rule 56(9)	<u>Serial numbering of each volume of books of account maintained</u> Each volume of books of account maintained manually by the registered person shall be serially numbered.

Rule 56(10)	<p><u>Presumption of maintenance of documents, registers or any books of account-</u> 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, then aforesaid documents, registers or any books of account shall be presumed to be maintained by the said registered person.</p>
Rule 56(11)	<p><u>Contents of books of account maintained by agent</u> As per section 2(5) of CGST Act “agent” means a person, including a factor, broker, commission agent, <i>arhatia</i> , <i>del credere</i> agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another.</p> <p>It is to be noted that the definition of agent is very wide and it shall include every person who receive goods on behalf of another person in addition to the supply of goods on behalf of another person. it shall include clearing and forwarding agent also. Every such agent shall maintain accounts depicting the following details-</p>
	(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.
Rule 56(12)	<p><u>Maintenance of monthly production accounts by a manufacturer of goods -</u> Every registered person manufacturing goods shall maintain monthly production accounts, showing the 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. However, the manner to maintain such records has not been specified and has been left to the discretion of supplier.</p>
Rule 56(13)	<p><u>Maintenance of accounts by every registered person supplying services</u> Every registered person supplying services shall maintain the accounts showing the quantitative details of goods used in the provision of services, details of input services utilised and the services supplied.</p>
Rule 56(14)	<p><u>Keeping separate accounts for each works contract and contents of such accounts</u> Every registered person executing works contract shall keep separate accounts for works contract showing following contents -</p>
	(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.
Rule 56(15)	<p><u>Option to maintain records in electronic form</u> 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.</p>

Rule 56(16)	<p><u>Period of preservation of accounts -</u> Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challan relating to stocks, deliveries, inward supply and outward supply shall be preserved for a period of 72 months from the due date of furnishing of Annual Return for the year pertaining to such accounts and records. Further, where such accounts and documents are maintained manually , the said accounts and documents shall 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.</p>
Rule 56(17)	<p><u>Maintenance of records of goods handled by a carrier or a C&F Agent -</u> 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.</p>
Rule 56(18)	<p><u>Production of the books of accounts by every registered person</u> Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law in force.</p>

5.3 Period of retention of accounts - Section 36

Section 36	<p><u>Books of account or other records to be retained for 72 months from the due date of furnishing of annual return</u> Books of account or other records shall be retained by every registered person for a period of 72 months from the due date of furnishing of Annual Return for the year pertaining to such accounts and records. It is pertinent to add here that in terms of Section 44(1) of the CGST ACT/SGST Act, the Annual Return for every financial year shall be furnished on or before 31st December following the end of such financial year. In simple words, accounts and other records shall be required to be maintained for a period of six years and nine months from the end of the relevant financial year.</p>
Rule 56(16)	<p>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 a period of 72 months from the due date of furnishing of Annual Return for the year pertaining to such accounts and records. Further, where such accounts and documents are maintained manually , the said accounts and documents shall 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.</p>
Proviso	<p><u>Period of retention in case books of account etc. pertain to an appeal or revision or any other proceeding before any Appellate Authority</u> If a registered person is party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or Court or is under investigation for an offence or penalty under Chapter XIX of the CGST Act, then it shall be obligatory on its part to retain the books of account and other records pertaining to subject matter of such appeal or revision or proceeding or investigation for later of the following two periods:</p>

S.No.	Period
(a)	Period of one year after final disposal of such appeal or revision or proceedings or investigation; or
(b)	Period of 72 months from the due date of filing of annual return for the year pertaining to such accounts and records

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