Hiregange & Associates
Chartered Accountants

Draft GST Review Report
April'19 – January'2020

M/s. Modi Reality (Miryalaguda) LLP

Private and Confidential

GST Review Report for the period Apr'19 – Jan'20

Hiregange & Associates
Chartered Accountants

Date of Report: 26/03/2020

To
Mr. Soham Modi
Managing Partner,
Soham Mansion,
5-4-187/3and4,
Secunderabad, 500003.

Dear Sir/ Madam,

Sub: GST Review Report for the period April 2019 to January 2020
Ref: Your confirmation provided in this regard vide email dated 21.06.2019

Please find herewith our detailed report, the scope of our review is as per the offer letter sent and your confirmation in this regard. We hereunder provide you with our observations and suggestions, which are based on the checks conducted by us, records made available and as per explanations and information are given to us. The limited review is carried out as per the principles laid down by the standards on review engagement as issued by the Institute of Chartered Accountants of India from time to time. The review is carried out on a sample basis and our observations are subject to the records furnished, explanations and information are given to us.

Thanks & Regards,

For M/s. Hiregange & Associates
Chartered Accountants

CA Subba Reddy
Partner

Abbreviations

Abbreviation	Description
Auditee	M/s Modi Realty Miryalaguda(LLP)
GST	Goods and Services Tax
CN	Credit notes
DN	Debit notes
RCM	Reverse Charge Mechanism
Act	CGST Act, 2017
Rules	CGST Rules, 2017

Abbreviation	Description
GSTIN	GST Identification Number
TOS	Time of Supply
ITC	Input Tax Credit
BOA	Books of Accounts(Tally)
Ref.	Reference
w.r.t	with respect to

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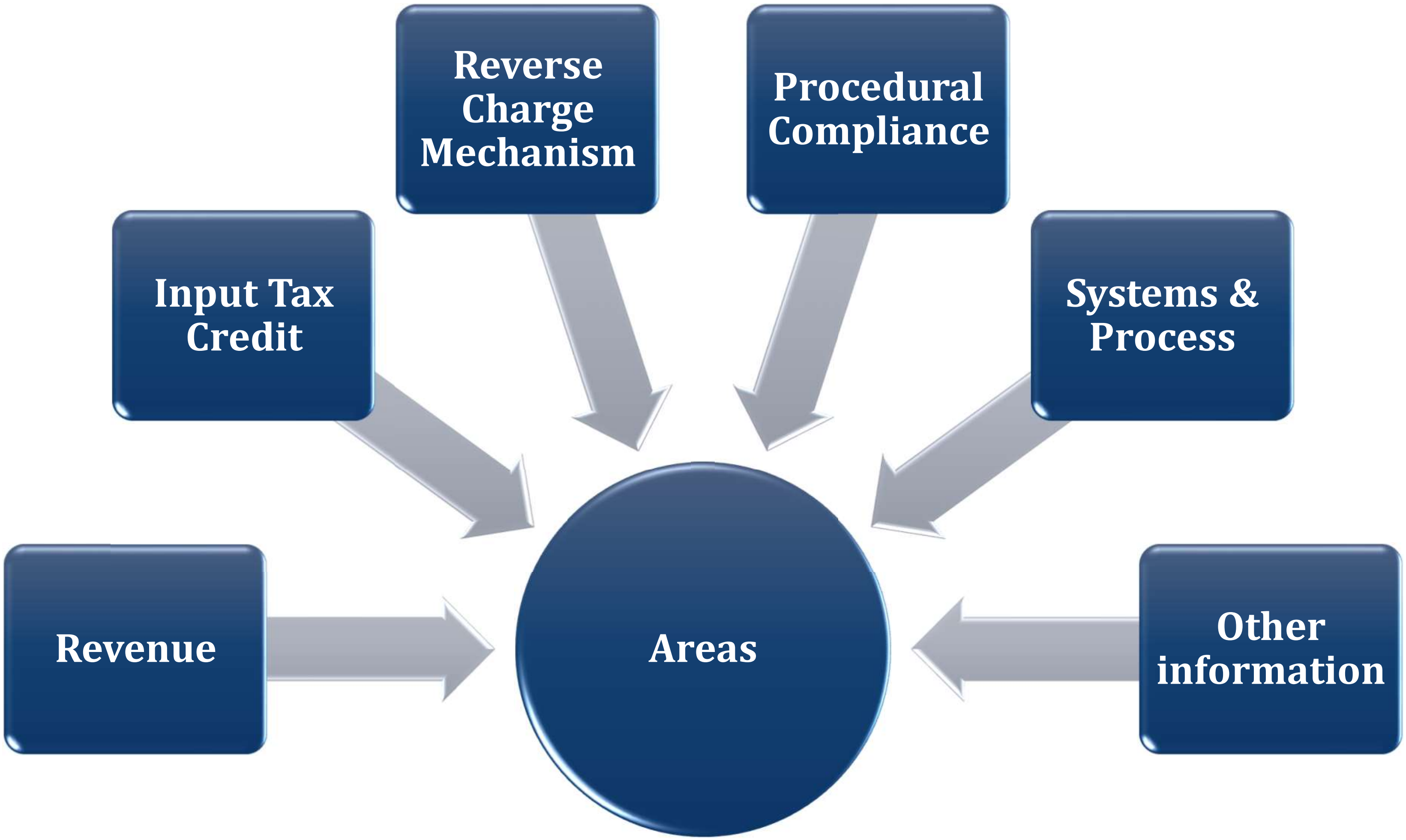
Scope and Coverage

Scope of Work

The scope of the assignment is as per the offer sent to you and confirmation received, which is as follows:

- Test check of books of accounts and other GST records for checking the compliance, reporting the deviation in the system and transactional errors.
- Suggestion on areas of weaknesses; [Verification will be conducted on the sample basis].
- Verification of various streams of income by scrutiny of Books of Accounts and ascertaining the taxability under GST
- Review of documentation and reconciliation etc. Suggesting the modifications required in accounting.
- Review of disclosure in returns

Areas of Coverage



Executive Summary

Executive Summary

Areas	Observations	Point No.	Amount	Level of impact
Revenue	Excess payment of GST on a transaction	**1.2**	**Rs. 22,500/-**	**Medium**
Revenue	Interest to be paid for delay in payment of GST on construction services	**1.3**	**Rs. 51,200/-**	**Medium**
ITC	ITC to be reversed to the extent of debit notes accounted in BOA	**2.2**	**Rs. 83,400/-**	**High**
ITC	ITC excess availed in GST returns shall be reversed	**2.3**	**Rs. 1,34,129/-**	**High**
ITC	ITC availed on car hire charges shall be reversed	**PRNC(5.1)**	**Rs. 1,34,902/-**	**High**

1. Revenue

1.1 Interest could be demanded for non-consideration of milestones

Observation:

- Auditee is in practice of paying GST on milestones with respect to construction services provided.
- However, in few cases, it was observed that GST was not paid though milestone was achieved or GST was paid in subsequent month.
- As per section 13 of the Act, time of supply of services shall be earlier of
  a) Issue of invoice/Provision of service or
  b) Receipt of payment
- It was informed that the delayed payment is due to changes in milestone report each month due to additional work at sites.

Impact:

- Interest @18% p.a. could be demanded by department.

Impact: NA

Level of Impact: Medium

Recommendation:

- ***Discharge GST as per milestone report and evolve a system in place to ensure that milestone report is constant.***

1.2 Excess payment of GST on construction services provided

Observation:

- Auditee is in practice of paying GST on milestones with respect to construction services provided.
- However, in Jun'19 and Nov'19, for villa No.34, bill to be raised at each milestone is Rs. 4,18,750/- but amount considered is Rs. 4,81,250/-. This has lead to excess payment of GST.

(Refer Annexure "GST excess paid for more details)

Impact:

- Excess payment of GST.

Impact: Rs. 22,500/-

Level of Impact: Medium

Recommendation:

- ***Adjust such excess paid GST in subsequent months' GSTR-3B.***

1.3 Interest to be paid for delay in payment of GST on construction services

Observation:

- Auditee has discharged GST on construction services provided in Oct'18 through GSTR-3B of Aug'19. However interest has not been paid on the same.
- As per section 50 of the Act, in case of delayed payment of GST liability, interest shall be paid @18% p.a.

(Refer Annexure "Interest to be paid" for more details)

Impact:

- Interest liability at 18% p.a.

Impact: Rs.51,200/-

Level of Impact: Medium

Recommendation:

Discharge interest through subsequent months' return.

II. Reconciliation of Taxable Turnover

ACCOUNT HEAD	AMOUNT in Rs.
Installment 19-20	2,74,51,750
Extra spects	0
Total Taxable Income as per Books	**2,74,51,750**
Total Taxable Income as per GST Returns	**2,93,49,103**
Difference	**18,97,353**

Difference of Rs. 18,97,353/- is due to services provided in 18-19 but GST is paid in 19-20.

III. Reconciliation of BOA vs GSTR 3B (Revenue)

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Month	TAXABLE SUPPLIES			EXEMPT SUPPLIES		
	AS PER BOA	AS PER GSTR-3B	DIFF.	AS PER BOA	AS PER GSTR-3B	DIFF.
Apr'19	36,22,750	36,22,750	-	0	0	0
May'19	3,95,500	3,95,500	-	0	0	0
Jun'19	14,50,000	14,50,000	-	0	0	0
Jul'19	16,12,500	16,12,500	-	0	0	0
Aug'19	29,75,000	48,72,353	18,97,353	0	0	0
Sep'19	35,66,250	35,66,250	-	0	0	0
Oct'19	44,00,000	44,00,000	-	0	0	0
Nov'19	30,23,500	30,23,500	-	0	0	0
Dec'19	35,18,750	35,18,750	-	0	0	0
Jan'20	28,87,500	28,87,500	-	0	0	0
Total	**2,74,51,750**	**2,93,49,103**	**18,97,353**	**0**	**0**	**0**

Difference of Rs. 18,97,353/- is due to services provided in 18-19 but GST is paid in 19-20.

IV. Reconciliation of BOA vs GSTR 3B (Tax)

Month	CGST & SGST			IGST		
	AS PER BOA	AS PER GSTR-3B	DIFF.	AS PER BOA	AS PER GSTR-3B	DIFF.
Apr'19	6,52,096	6,52,095	0	0	0	0
May'19	71,190	71,190	0	0	0	0
Jun'19	2,61,000	2,61,000	0	0	0	0
Jul'19	2,90,250	2,90,250	0	0	0	0
Aug'19	5,35,500	8,77,023	3,41,523	0	0	0
Sep'19	6,41,926	6,41,925	0	0	0	0
Oct'19	7,92,000	7,92,000	0	0	0	0
Nov'19	5,44,230	5,44,230	0	0	0	0
Dec'19	6,33,376	6,33,375	0	0	0	0
Jan'20	5,19,750	5,19,750	0	0	0	0
Total	**49,41,318**	**52,82,838**	**3,41,523**	**0**	**0**	**0**

Difference of Rs. 3,41,523/- is due to services provided in 18-19 but GST is paid in 19-20.

III. Reconciliation of GSTR 3B vs GSTR 1(Revenue)

Month	TAXABLE SUPPLIES			EXEMPT SUPPLIES		
	AS PER GSTR-3B	AS PER GSTR-1	DIFF.	AS PER GSTR-3B	AS PER GSTR-1	DIFF.
Apr'19	36,22,750	36,22,750	-	-	-	-
May'19	3,95,500	3,95,500	-	-	-	-
Jun'19	14,50,000	14,50,000	-	-	-	-
Jul'19	16,12,500	16,12,500	-	-	-	-
Aug'19	48,72,353	29,75,000	18,97,353	-	-	-
Sep'19	35,66,250	35,66,250	-	-	-	-
Oct'19	44,00,000	44,00,000	-	-	-	-
Nov'19	30,23,500	30,23,500	-	-	-	-
Dec'19	35,18,750	35,18,750	-	-	-	-
Jan'20	28,87,500	28,87,500	-	-	-	-
Total	**2,93,49,103**	**2,74,51,750**	**18,97,353**	**5,52,794**	**-**	**5,52,794**

Difference of Rs. 18,97,353/- is due to services provided in 18-19 but GST is paid in 19-20.

IV. Reconciliation of GSTR 3B vs GSTR 1 (Tax)

Month	CGST & SGST			IGST		
	AS PER GSTR-3B	AS PER GSTR-1	DIFF.	AS PER GSTR-3B	AS PER GSTR-1	DIFF.
Apr'19	6,52,095	6,52,095	-	0	0	0
May'19	71,190	71,190	-	0	0	0
Jun'19	2,61,000	2,61,000	-	0	0	0
Jul'19	2,90,250	2,90,250	-	0	0	0
Aug'19	8,77,023	5,35,500	3,41,523	0	0	0
Sep'19	6,41,925	6,41,925	-	0	0	0
Oct'19	7,92,000	7,92,000	-	0	0	0
Nov'19	5,44,230	5,44,230	-	0	0	0
Dec'19	6,33,375	6,33,375	-	0	0	0
Jan'20	5,19,750	5,19,750	-	0	0	0
Total	52,82,838	49,41,315	3,41,523	0	0	0

Difference of Rs. 3,41,523/- is due to services provided in 18-19 but GST is paid in 19-20.

2. Input Tax Credit

2.1 Common ITC to be reversed to the extent of sale of land

Observation:

- Auditee is in practice of selling land to customers.
- As per section 17(2) read with section 17(3) of the Act, sale of land will be considered as part of exempt supply and
  - ITC specifically used for such land sales would be completely ineligible and
  - ITC commonly used for land sale and construction services would be proportionately eligible.
- Few common expenses were identified, which are extracted in Annexure.

  (Refer Annexure "Common Expenses" for more details)

Impact:

- Non reversal of ITC will attract interest and penalty.

Impact: NA

Level of Impact: High

Recommendation:

- ***Identify specific services towards land sale and reverse complete ITC***
- ***Identify the common services such as legal, audit and reverse ITC in the proportion specified.***

Issues relating to ITC

Observation	Ref.	Impact/Recommendation
ITC to be reversed to the extent of purchase returns	2.2	Auditee is in practice of reversing ITC on purchase returns in BOA but such ITC has been not been reversed in GST returns. Suggested to reverse ITC through subsequent months' GSTR-3B. Also, suggested to check whether any credit note issued by supplier is reflected in GSTR-2A and reverse ITC on such credit notes. ***Amount involved: Rs. 83,400/-*** ***(Refer Annexure "ITC to be reversed" for more details)***
ITC excess availed in GST returns shall be reversed	2.3	In the month of Jun'19, auditee has availed excess ITC in GST returns when compared with BOA. Suggested to reverse the same at the earliest to avoid interest cost and differences at the time of filing GSTR-9 and GSTR-9C. ***Amount involved: Rs. 1,34,129/-*** ***(Refer Annexure "ITC excess availed" for more details)***

Issues relating to ITC

Observation	Ref.	Impact/Recommendation
ITC availed in GSTR-3B but not reflected in GSTR-2A needs be reversed	2.4	Auditee is not in the practice of reconciling ITC availed in GSTR-3B with that of ITC reflected in GSTR-2A. As per rule 36(4) of CGST Rules, 2017, ITC which is availed in GSTR-3B but not reflected in GSTR-2A shall not exceed 10% of eligible ITC reflecting in GSTR-2A. Thus ITC which can be availed is (ITC reflected in GSTR-2A +10%). Suggested to reverse ITC not reflected in GSTR-2A or follow up with the vendors to file GSTR-1 and upload invoices in GSTR-1.***(Refer Annexure "ITC not reflected in GSTR-2A" for more details)***
ITC shall not be availed on procurements from composition dealers	2.5	Auditee has received printing and stationery services from "Priyanka Printers"-a composition dealer where GST is charged by supplier and corresponding ITC is availed. As per section 10 of the Act, a composition dealer shall not charge GST . Suggested to reverse ITC at the earliest and do not avail ITC from procurements from composition dealers.

ITC Reconciliation Books Vs. GSTR 3B

Month	ITC(excluding RCM & debit notes)		
	IGST	CGST	SGST
Apr'19	-	81,607	81,607
May'19	-	3,56,246	3,56,246
Jun'19	-	3,56,971	3,56,971
Jul'19	-	3,73,215	3,73,215
Aug'19	-	3,50,567	3,50,567
Sep'19	-	4,69,821	4,69,821
Oct'19	-	7,59,001	7,59,001
Nov'19	-	1,07,492	1,07,492
Dec'19	-	3,81,602	3,81,602
Jan'20	-	11,29,403	11,29,403
Total ITC as Per Returns	**-**	**43,65,925**	**43,65,925**
ITC as per Books	-	42,98,770	42,98,770
RCM Credit	0	0	0
Total ITC as per Books	0	42,98,770	42,98,770
Difference	**0**	(67,155)	(67,155)

Difference is due to ITC excess availed in GST returns. Suggested to reverse at the earliest.

3. Reverse Charge Mechanism

3. Issues relating to RCM

Observation	Ref.	Impact/Recommendation
GST under RCM paid in GST returns but not accounted in BOA	3.1	Auditee has paid GST under RCM on security services in GST returns in Jan'2020 but corresponding GST payable entries and ITC entries were not passed in BOA. Suggested to pass entries at the earliest. ***Amount involved: Rs. 82,676/-***

XII. RCM Payment Vs. RCM Credit Availment

Company Level – As per Form GSTR-3B

Month	CGST & SGST			IGST		
	RCM PAID	RCM Gross Availed	DIFF.	RCM PAID	RCM Gross Availed	DIFF.
Apr'19	0	0	0	0	0	0
May'19	0	0	0	0	0	0
Jun'19	0	0	0	0	0	0
Jul'19	0	0	0	0	0	0
Aug'19	0	0	0	0	0	0
Sep'19	0	0	0	0	0	0
Oct'19	0	0	0	0	0	0
Nov'19	0	0	0	0	0	0
Dec'19	0	0	0	0	0	0
Jan'20	82,676	82,676	0	0	0	0

4. Procedural Compliances

4. Procedural compliances to be made

Observation	Ref.	Impact/Recommendation
Bill of supply to be given for sale of land	4.1	Auditee is in practice of selling land to customers, but no invoice/ bill of supply is issued to customers for such sales. Suggested to issue bill of supply to customers to avoid non-compliance of GST provisions.
Rent received to be classified under re-grouped under income	4.2	Auditee receives rent from sub-contractor which is exempted from GST as the rent is less than Rs. 1,000 per day. The said ledger is grouped under Indirect expenses though it is an income of auditee. Suggested to regroup the ledger under “Incomes” at the earliest.
Amount received towards land needs to be disclosed as exempt supply in GST returns	4.3	Auditee receives amounts towards sale of land. However, such receipts have not been disclosed in GST returns as exempt supply. Suggested to disclose the same toavoid mis-interpretations by department.

5. Systems & Processes

5. Accounting related issues

Observation	Ref.	Impact/Recommendation
Audit fees payable ledger grouped under expenses	5.1	Auditee has grouped audit fees payable ledger under Expenses instead of Liabilities. Suggested to re-group the said ledger under liabilities to reflect true and fair view of accounts.
Multiple accounts maintained for accounting URD procurements	5.2	Auditee is in practice of accounting procurements from unregistered dealers under ledgers-"Purchases Exempt" and "Purchases URD". Suggested to maintain single ledger for procurements from URD and record all the procurements from URD in the said ledger.
Differences in HSN table Vs other tables of GSTR-1 shall be reconciled	5.3	Few differences were identified in taxable value and taxes as disclosed in HSN table of GSTR-1 Vs. other tables of GSTR-1. Before filing GSTR 1, suggested to reconcile the HSN table with the other tables to ensure proper disclosure in the returns. ***(Refer Annexure "HSN differences" for more details)***

Other Information

Other Information – GSTR 3B and GSTR-1 Return filing status

Auditee has filed GSTR-3B for the period Apr'19 to Jan'20 within the due date. However, auditee has filed GSTR-1 belatedly in Apr'19. Suggested to file GST returns within due date to avoid interest cost and unnecessary intervention by the department.

GST return	Month	Due Date	Date of filing	Delay in days
GSTR-1	Apr'19	11-May-19	15-May-19	4

Other Information – Overall Tax compliance

Month	Total Tax Liability	Paid in Credit	Paid in Cash
Apr'19	652,096	652,096	Nil
May'19	71,190	71,190	Nil
Jun'19	261,000	261,000	Nil
Jul'19	290,250	290,250	Nil
Aug'19	877,024	877,024	Nil
Sep'19	641,926	641,926	Nil
Oct'19	792,000	792,000	Nil
Nov'19	544,230	544,230	Nil
Dec'19	633,376	633,376	Nil
Jan'20	602,426	602,426	Nil

Other Information

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Balance in Electronic Credit ledger as on 10-03-2020	**CGST-** ***Rs.52,92,395/-***
	SGST -***Rs.52,74,638/-***
Balance in Electronic Cash ledger as on 10-03-2020	**CGST -*****Rs. 9,122/-***
	SGST -***Rs. 9,122/-***

10. Compliance with Previous Reports

Previous report non compliance(PRNC)

Period of reporting	Ref.	Observation	Current Status
Jul’17 to Mar’18	4.5	GST is not discharged on insurance recoveries from the employees. Even in the current period, few recoveries were made from employees but no GST was paid on the same. Suggested to pay GST along with interest at the earliest. ***Amount involved**: Previous period: Rs. 3,116/-* ***Current period: Rs. 2,945/-*** ***(Refer “Vch No. 161 dated 14.6.19” for more details)***	**Not complied.**
Jul’17 to Mar’18	5.4	Site premises needs to be added as additional place of business	**Not complied.**
Jul’17 to Mar’18	5.9	Improper voucher references as frequent back date entries were passed.	**Not complied.**

Previous report non compliance(PRNC)

Period of reporting	Ref.	Observation	Current Status
Jul'17 to Mar'18	5.10	•Liability of reverse charge must be accounted transaction wise •Separate ledger needs to be maintained for GST input and GST output •Separate ledgers needs to be maintained for the RCM input and output •Separate ledger needs to be maintained for the procurements from composition dealers. Even in the current review period, auditee has procured services from Modi Housing Pvt Ltd-but the same are not recorded under "Purchases from composition dealers" ledger.	**Not complied**
Apr'18 to Mar'19	4.1	Sale of villas considered as sale of land + construction services. It was informed that management's decision is pending in this regard. ***Amount involved: Rs. 15,73,804/-***	**Not complied**
Apr'18 to Mar'19	4.3	Milestones for GST payment should be in line with AOS. It was informed that management's decision is pending in this regard.	**Not complied**

Previous report non compliance(PRNC)

Period	Ref.	Observation	Current Status
Apr’18 to Mar’19	4.4	GST needs to be paid on amount received in excess of milestones. Even in the current review period, the same was continued. It was informed that management’s decision is pending in this regard. ***Amount involved: Previous period: Rs. 23,08,158/-*** ***Current period: Rs. 99,37,382/-***	**Not complied**
Apr’18 to Mar’19	4.5	Service tax needs to be paid on construction services provided to the Landowner. It was informed that management’s decision is pending in this regard. ***Amount involved: Rs. 64,80,000/-***	**Not complied**
Apr’18 to Mar’19	5.2	Proper invoices to be obtained from suppliers to avoid denial of ITC by department ***Amount involved: Rs. 1,70,277/-***	**Partly complied**

Previous report non compliance(PRNC)

Period of reporting	Ref.	Observation	Current Status
Apr'18 to Mar'19	4.6	Auditee is in practice of forfeiting amounts in case of cancellation of villas but GST has not been paid on such forfeited amounts. Even in the current review period, auditee has forfeited amounts on which GST was not paid Suggested to pay GST through GSTR-3B of subsequent month. ***Amount involved**: Previous period: Rs. 45,000/-* ***Current period: Rs. 4,500/-***	**Not complied**
Apr'18 to Mar'19	5.1	ITC availed on car hire charges shall be reversed. Even in the current review period, auditee has availed ITC on car hire charges. Suggested to reverse such ineligible ITC at the earliest. It was informed that management's decision is pending in this regard. ***Amount involved**: Previous period: Rs. 1,23,390/-* ***Current period: Rs. 1,34,902/-***	**Not complied**

Previous report non compliance(PRNC)

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Period of reporting	Ref.	Observation	Current Status
Apr’18 to Mar’19	9.3	Non compliance of E-way bill provisions i.e. goods are not accompanied by e-way bill. It was informed that the same will be complied at the earliest.	**Not complied**
Apr’18 to Mar’19	9.4	Clause to be added in agreement relating to refund of GST portion in case of cancellation of villa. It was informed that management’s decision is pending in this regard.	**Not complied**
Apr’18 to Mar’19	5.3	Improper availment of ITC(IGST availed as CGST+SGST) ***Amount involved: Rs. 59,542/-***	**Not complied**

Note: *Our report is based on documents, information and explanation provided to us in writing and also orally. No assurance is given that the revenue and statutory authorities/courts would concur with the view expressed herein. In view of our having opined based on the existing provisions of law and its interpretation, which are subject to change from time to time, we do not assume any responsibility to update the views consequent to such changes.*

Our Presence

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