The GST Health Checklist

***15 checks** every business must run before it's too late*

- Stay Compliant
- Avoid Notices
- Save Tax, Interest & Penalties
- Strengthen Your Business

R Khurana & Associates
Chartered Accountants

30, 1st Floor, AA Block,
Shalimar Bagh, Delhi-110088

9891526796
ca@rkhurana.co

CA Rahul Khurana
Chartered Accountant

WHY THIS BOOKLET?

Most GST notices trace back to one of these fifteen gaps.

Every return you file — GSTR-1, GSTR-3B, GSTR-9 — **leaves a trail.** When that trail doesn't match your books, your ITC register, or your vendors' filings, **it becomes** a mismatch. Mismatches become notices. Notices become disputes.

This booklet is a working checklist we use to review a business's GST position before the department does.
Run through it once a quarter,
and **most notices** simply **won't** happen.

15 CHECKPOINTS

04 RETURN TYPES COVERED

01 QUARTERLY HABIT

How to use this: Go item by item with your accountant. Where you can't tick a box, that's your priority for this quarter — not a reason to panic.

1 Reconcile GSTR-1 vs GSTR-3B vs GSTR-9 with Books

The foundation of GST compliance is accurate reconciliation of your returns with your books of accounts. Mismatches are the most common reason for notices and enquiries.

DOCUMENTS REQUIRED

Signed Balance Sheet
Latest financial statements as per books.

Sales & Purchase Registers
Detailed registers supporting liabilities and ITC claims.

ITC Register
ITC availed, utilized and balance available.

GST Input / Output Ledgers
Summary ledgers reconciling with return figures.

WHY IT'S IMPORTANT

- Ensures your returns reflect true business transactions.
- Helps identify errors before the department does.
- Avoids demand of tax, interest and penalty.
- Strengthens your position in case of audit or scrutiny.

ACTION

Your GSTR-1, GSTR-3B and GSTR-9 must tie out with your books of accounts.

Any mismatch found should carry a written justification on file — don't leave it unexplained.

CA'S TIP

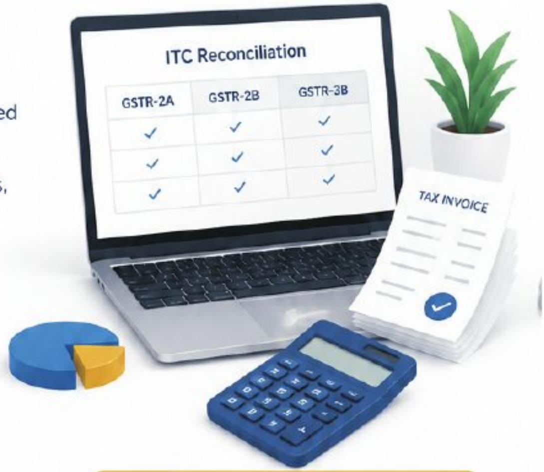
Reconcile every month, not just at the end of the year.
Regular reconciliation saves time, prevents notices and protects your cash flow.

"Reconcile today, stay compliant tomorrow."

2

Reconcile ITC — GSTR-2A vs GSTR-2B vs GSTR-3B

Input Tax Credit (ITC) is one of the most scrutinized areas in GST. Proper reconciliation ensures you avail only eligible credit and avoid future demands, interest and penalties.



DOCUMENTS REQUIRED

GSTR-2A
Auto-drafted statement of ITC available based on supplier filings.

GSTR-2B
ITC statement generated from supplier invoices furnished in GSTR-1/IFF.

ITC Register / Ledger
Internal record of ITC availed and utilized in the books.

WHY IT'S IMPORTANT

- Ensures ITC is correctly availed as per law.
- Helps identify ineligible or excess credit.
- Reduces risk of notices, interest and reversal.
- Strengthens your position during audit or scrutiny.

ACTION

- ITC claimed in GSTR-3B should never exceed what appears in GSTR-2B.
- After year-end, cross-check with GSTR-2A as well — prior-period invoices sometimes appear in 2B but only current-year invoices show in 2A.
- Any gap between 2A, 2B and 3B needs a documented reason.

CA'S TIP

Reconcile ITC every month, not just at the end of the year.
It helps you catch issues early and protects your cash flow.

"Reconcile today, safeguard your credit tomorrow."

3 Credit Notes & Debit Notes

Credit Notes and Debit Notes directly impact your GST liability and ITC. Proper documentation and evidence are essential to support every adjustment and avoid future disputes.

DOCUMENTS REQUIRED

Credit Note / Debit Note Register
Maintain a proper, up-to-date register of all credit and debit notes issued or received.

Supporting Evidence for Each Entry
Keep all relevant documents to justify the reason, value and applicability of credit or debit notes.

WHY IT'S IMPORTANT

- Ensures correct adjustment of supply value, liability and ITC.
- Supports the movement of goods with proper e-way bill reference.
- Helps justify price differences or post-supply adjustments.
- Strengthens your position during audit or departmental review.

ACTION

- Ensure every credit and debit note is supported with relevant documents.
- The e-way bill for the movement and a note explaining the price difference (where applicable) must be maintained.

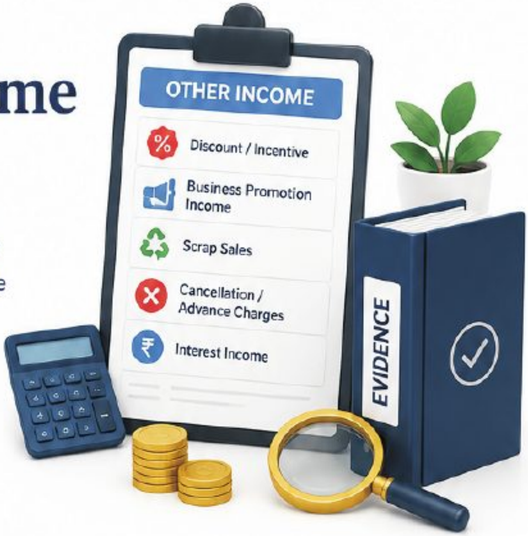
KEY POINT

Notes without supporting evidence are the first thing an assessing officer will question during scrutiny.

Well-documented credit and debit notes reflect strong internal controls and reduce the risk of demand, interest and penalty.

4 Review of Other Income

Other income items are closely examined during assessments and audits. It is important to review each head and ensure GST is charged only where legally applicable.



DOCUMENTS REQUIRED

Ledgers of All 'Other Income' Heads
Detailed ledger extract of all items classified under "Other Income".

Supporting Documents for Each
Agreements, credit notes, correspondence, invoices or any other relevant evidence to support the nature of income.

WHY IT'S IMPORTANT

- Ensures GST is paid only where applicable under law.
- Avoids unnecessary payment of tax, interest and penalty.
- Helps justify non-taxability or exemptions claimed.
- Reduces risk of notices and litigation.

ACTION

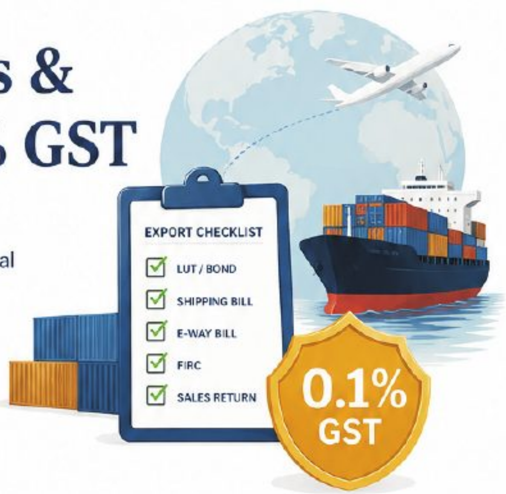
- The department frequently questions GST on other-income heads.
- Review each item and determine GST applicability with proper legal reference.
- Maintain documentary evidence and a written note for items where GST is not applicable, such as discount, incentive, scrap sales, cancellation charges, interest income, etc.

CA'S TIP

Prepare a brief working note for every other income item explaining why GST is or is not applicable. This working note can be your strongest defence during scrutiny.

"Review today, stay prepared and avoid disputes tomorrow."

5 Export Sales & Sales @ 0.1% GST



Exports and special category sales enjoy concessional GST @ 0.1% or are treated as zero-rated supplies. Proper documentation is essential to claim the benefit and avoid future disputes.

DOCUMENTS REQUIRED

Sales Register
Detailed record of all export sales and sales @ 0.1% GST.

GSTR-1 Annual Summary
Outward supplies reported as exports or sales @ 0.1%.

Foreign Inward Remittance Certificate (FIRC)
Bank certificate evidencing receipt of export proceeds in foreign currency.

Copy of LUT / Bond
Valid LUT (if made without IGST) or bond copy, if applicable.

WHY IT'S IMPORTANT

- Ensures claiming of 0.1% / zero-rated benefit as per law.
- Avoids demand of tax, interest and penalty.
- Helps in smooth processing of refunds (where applicable).
- Strengthens compliance and reduces departmental scrutiny.

ACTION

- **Exports:** keep the LUT (if made without IGST), shipping bill, e-way bill to port, and FIRC on file.
- **Sales to merchant exporters @0.1%:** goods must leave India within 90 days; obtain the exporter's shipping bill and keep sales-return documentation clean.

CA'S TIP

Maintain a separate file for exports and sales @ 0.1% GST. Timely documentation and reconciliation ensure smooth refund and minimal queries.

"Document well today, secure your refund tomorrow."

6 Creditors Outstanding Over 180 Days

GST law requires reversal of ITC on any invoice or debit note for which payment is not made to the supplier within 180 days from the date of invoice or the date of debit note, whichever is earlier.

DOCUMENTS REQUIRED

Sundry Creditors Ledger
Detailed ledger showing all outstanding payables with supplier-wise ageing.

Supplier Invoices / Debit Notes
Unpaid invoices or debit notes outstanding for more than 180 days.

GSTR-1 Annual Summary
Reconciliation to verify ITC availed on such invoices.

Any Supporting Documents
Payment records, correspondence or other evidence (where applicable).

WHY IT'S IMPORTANT

- Ensures timely compliance with ITC reversal provisions under GST law.
- Avoids interest and penalty for non-reversal of ITC.
- Helps in proper review of outstanding liabilities.
- Strengthens internal controls and reduces departmental scrutiny.

RELEVANT GST RULE

Rule 37(1) of CGST Rules, 2017

ITC shall be reversed along with interest, in respect of any invoice or debit note, the payment towards which is not made to the supplier within 180 days from the date of invoice or the date of debit note, whichever is earlier.

INTEREST APPLICABLE

Interest @ 18% p.a. is payable from the date of availing ITC till the date of reversal.

ACTION

- Under GST law, ITC must be reversed for any creditor left unpaid beyond 180 days.
- Prepare a proper ageing working for all sundry creditors to confirm none are overdue.
- Track outstanding invoices regularly and make payment or reverse ITC with interest, wherever applicable.

CA'S TIP

Review creditors ageing at least once a month and identify potential 180-day breaches. Maintain a system of alerts for upcoming deadlines to avoid last-minute reversals and cash flow impact.

Review today. Reconcile timely. | **Comply confidently. Stay audit ready.**

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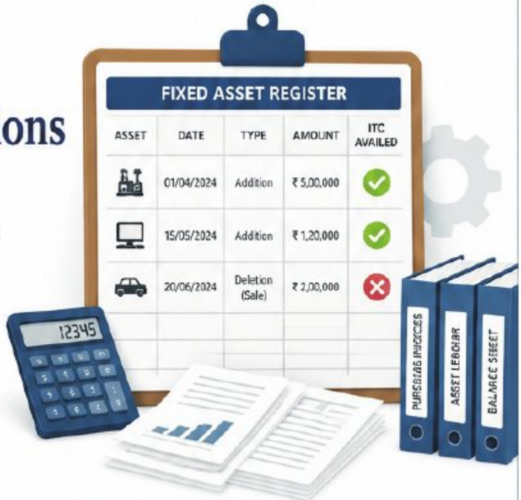
7 Fixed Asset Additions & Deletions

Proper tracking of fixed assets ensures correct availment of ITC and compliance with GST provisions. Every addition or deletion (sale/disposal) must be supported with proper documentation and reflected accurately in records.



ASSET	DATE	TYPE	AMOUNT	ITC AVAILED
	01/04/2024	Addition	₹ 5,00,000	✓
	15/05/2024	Addition	₹ 1,20,000	✓
	20/06/2024	Deletion (Sale)	₹ 2,00,000	✗

DOCUMENTS REQUIRED

Fixed Asset Schedule (Balance Sheet)
Details of all fixed assets as per the financial statements.

Fixed Asset Ledger
Asset-wise details including date of purchase, value, GST paid, ITC availed, additions, deletions, and current status.

Purchase Details of Assets
Tax invoices, payment proof and other supporting documents for purchase of assets.

WHY IT'S IMPORTANT

- Ensures ITC is availed only on eligible assets used for business purposes.
- Helps in accurate reporting in GSTR-9 and during departmental review.
- Avoids reversal of ITC, interest and penalty due to non-compliance.
- Supports proper asset management and audit trail.

RELEVANT GST RULE

Rule 43(1) of CGST Rules, 2017

ITC shall be reversed in respect of the supply of goods or services or both, if the input tax credit has been availed on such goods or services or both.

TIME LIMIT FOR REVERSAL

Reversal is to be made in the return for the tax period in which such supply (taxable / exempt / non-business use / sale of asset) takes place.

ACTION

- Addition: Confirm the asset is used for business before availing ITC on it.
- Deletion / Sale: If ITC was claimed on that asset, GST must be reversed as per the prescribed calculation.
- Maintain proper records of asset-wise ITC, usage and disposals for easy audit.

CA'S TIP

Review fixed assets at least once a quarter. Ensure timely reversal of ITC on sale/disposal of assets to avoid interest and penalty during audits.

Good records today, strong compliance tomorrow.

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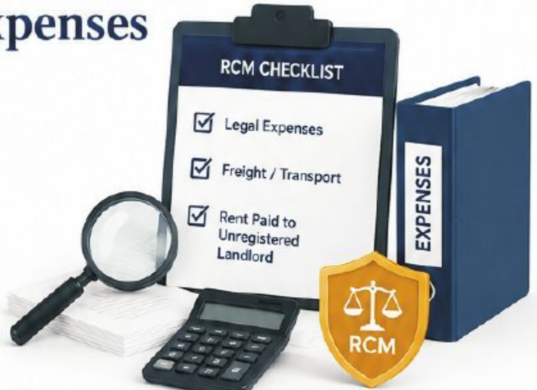
ca@rkhurana.co

8 Reverse Charge (RCM) Scrutiny on Expenses

Under GST, tax is payable under Reverse Charge Mechanism (RCM) on specified goods or services received from unregistered persons or in notified cases. The department closely scrutinises expenses to ensure correct identification and payment of tax.



DOCUMENTS REQUIRED

Signed Trial Balance
Complete trial balance of the financial year.

ACTION POINTS

- Scrutinise every indirect expense in the P&L for RCM applicability.
- Common heads that get missed:
  - Legal Expenses (Advocate)
  - Freight Expenses (Transporter)
  - Rent paid to unregistered landlord

RELEVANT GST PROVISIONS

Section 9(3) of CGST Act, 2017
Provides for levy of tax under Reverse Charge on specified goods or services.

Notification No. 13/2017–Central Tax (Rate)
Notifies the list of goods and services on which tax is payable under RCM.

KEY POINTS TO REMEMBER

- RCM is applicable even if supplier is unregistered (e.g., rent to unregistered landlord) in notified cases.
- Ensure correct classification of services/goods and timely payment of tax with interest, if any.
- Maintain supporting documents for each expense to justify the treatment.

WHY IT MATTERS

- Non-payment or short payment of RCM tax may lead to demand of tax, interest under Section 50, and penalty under Section 122(1).
- Helps in accurate compliance and avoids notices during assessment or audit.
- Strengthens internal controls and ensures no RCM liability is missed.

CA'S TIP

Review Trial Balance and P&L head-wise to identify all expenses falling under RCM. Reconcile with payments and ensure tax is paid or provisioned accordingly.

"Identify today, comply today — stay ahead of scrutiny."

9 Vendor GST Registration Status

Ensuring that vendors are validly registered under GST is essential to safeguard your ITC and avoid future disputes or reversals.

DOCUMENTS REQUIRED

GSTR-2B

To verify outward supplies declared by the vendor and ITC availability.

List of all vendors with GSTINs

Maintain and review an updated list of all vendors along with their GSTINs.

WHY IT'S IMPORTANT

- Prevents ITC reversal due to supplier registration cancellation.
- Helps in timely identification of ineligible or risky vendors.
- Strengthens compliance and supports defence in case of inquiry or audit.
- Ensures smooth flow of ITC and avoids interest, penalties and disputes.

RELEVANT GST PROVISION

Rule 36(4) of CGST Rules, 2017

Input tax credit shall be available only if the supplier is registered and has furnished the return.

Section 16(2)(c) of CGST Act, 2017

ITC shall not be available in respect of supply from a person who is not registered, except in cases of specified supplies.

KEY CHECKS

- Verify vendor GSTIN on the GST portal.
- Check GSTR-2B regularly for vendor-wise supplies and ITC availability.
- Monitor cancellation of registration (suo motu / on application).
- Take immediate action if vendor's registration is cancelled.

ACTION POINTS

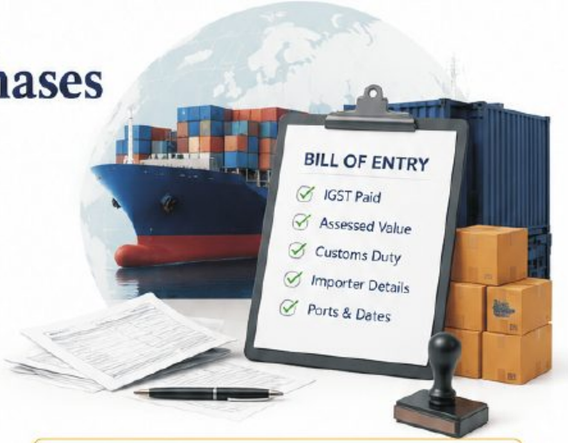
- Check whether any vendor's GST registration was cancelled with retrospective effect (suo motu).
- ITC availed from such a vendor may need to be reversed — though it can be contested in appeal if you have proper documentation and proof of timely payment.
- Maintain vendor master with GSTIN, registration status, and review periodically.
- Obtain vendor declarations and supporting documents for supplies.

CA'S TIP

Review vendor registration status at least once every quarter and before claiming ITC on large transactions. Keep evidence of payment through banking channels and goods/services received.

"Verify today, protect your ITC tomorrow."

10 Import Purchases



Proper documentation of import transactions ensures correct availment of IGST as Input Tax Credit (ITC) and compliance with GST provisions.

DOCUMENTS REQUIRED

Copies of all Bills of Entry (BOE)
Complete set of BOE including assessment order, duty payment details, and IGST paid.

Foreign Vendor Ledgers
Vendor-wise ledger accounts showing import transactions, payments, and outstanding, if any.

WHY IT'S IMPORTANT

- Ensures correct availment of IGST as ITC on imports.
- Helps in accurate reconciliation with customs records and GSTR-2B.
- Supports compliance in case of audit, assessment, or inquiry.
- Avoids disputes, reversals, interest, and penalties due to improper documentation.

RELEVANT GST PROVISIONS

Section 16(1) of CGST Act, 2017

ITC is available on IGST paid on import of goods, subject to the conditions specified under Section 16.

Section 16(2) of CGST Act, 2017

ITC shall not be available in respect of goods not received or services not received, or where the tax has not been actually paid to the Government.

KEY POINTS TO CHECK

- Ensure IGST is paid on imports and reflected in GSTR-2B.
- Verify correctness of Bill of Entry details – value, duty, taxes, port, and importer.
- Match customs payment details with accounting records.
- Maintain vendor ledgers with supporting invoices and payment proofs.

ACTION POINTS

- Ensure all Bills of Entry are complete and legible.
- Reconcile IGST paid on imports with GSTR-2B and books of accounts.
- Maintain proper foreign vendor ledgers and aging of outstanding payments.
- Retain supporting documents such as purchase invoices, shipping bills, and customs clearing bills.

CA'S TIP

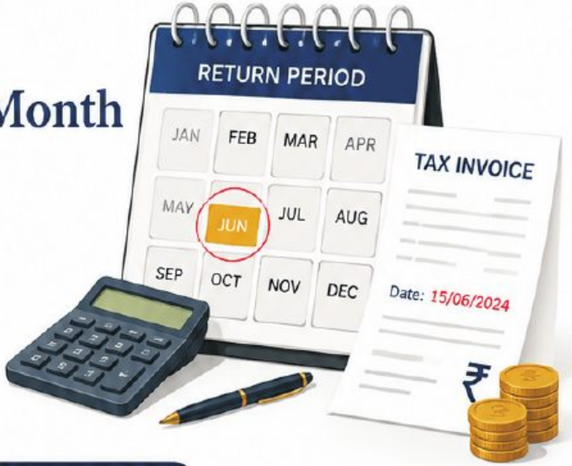
Reconcile import purchases regularly. Ensure all IGST paid is captured in GSTR-2B and supported by complete documentation to safeguard your ITC.

Remember: Maintain a complete set of import documents – Bill of Entry, purchase invoice, customs assessment order, and payment evidence – for the statutory retention period (72 months) to ensure smooth compliance and defend your ITC.

COMPLIANCE SECURES CREDIT

Accurate Documentation. Assured Compliance. Secured ITC.

11 Invoice Date vs GSTR-3B Filing Month



Correct reporting of invoices in the appropriate return period ensures accurate payment of tax and avoids interest, notices, or demand.

DOCUMENTS REQUIRED

Sales Register
Complete details of all invoiced sales with invoice date.

GSTR-1 and GSTR-3B
Filed returns for the relevant tax periods.

KEY CHECKS

- Ensure invoices are reported in GSTR-1 for the month in which the invoice date falls.
- Cross-check invoice dates with the return filing period every month.
- If a prior-dated invoice is reported in the current month's GSTR-1, interest under Section 50 becomes payable on the tax liability.
- Maintain proper records and internal controls to avoid mismatches and compliance issues.

RELEVANT GST PROVISION

Section 50(1) of CGST Act, 2017
Interest is payable on delayed payment of tax. If tax is not paid within the due date (20th / 22nd / 24th of the next month), interest @18% p.a. is payable.

ACTION POINTS

- Report invoices in GSTR-1 of the correct month based on invoice date.
- Pay tax within the due date to avoid interest under Section 50.
- Review prior-dated invoices separately before filing returns.
- Reconcile invoice register with GSTR-1 and GSTR-3B monthly.

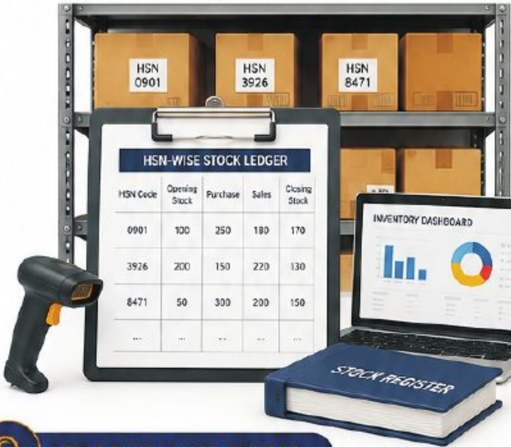
CA'S TIP

Always match invoice dates with the return period. Early reconciliation prevents interest liability and ensures smooth compliance.

“Report right, pay right — stay compliant, stay worry-free.”

12 HSN-wise Stock Ledger

Maintaining HSN-wise stock records is a fundamental requirement under GST law. It ensures accuracy in inventory valuation, reconciliation of purchases and sales, and supports ITC claims during audit or scrutiny.



HSN Code	Opening Stock	Purchase	Sales	Closing Stock
0901	100	250	180	170
3926	200	150	220	130
8471	50	300	200	150
...	...	...	...	...

DOCUMENTS REQUIRED

Stock In / Out Statement (HSN-wise)
Monthly summary showing opening stock, purchases, sales, transfers and closing stock.

Purchase Register
HSN-wise purchase details with invoices.

Sales Register
HSN-wise sale details with invoices.

Physical Stock Verification Report
Periodic physical verification with reconciliation statement.

ERP / Inventory Reports
System-generated HSN-wise stock ledger and movement reports.

Job Work & Branch Transfer Records
Details of stock sent/received on job work or branch transfers.

KEY COMPLIANCE CHECKS

- Ensure every item is classified with the correct HSN Code.
- Reconcile Opening Stock + Purchases – Sales = Closing Stock for every HSN.
- Match stock records with Purchase Register, Sales Register, GSTR-1, GSTR-3B and Books of Accounts.
- Maintain quantitative details of stock for each HSN.
- Verify stock transfers to branches, job workers, warehouses and goods in transit.
- Conduct regular physical stock verification and investigate any shortages or excess.

RELEVANT GST PROVISION

Rule 56 of the CGST Rules, 2017

Every registered person shall maintain true and correct accounts including quantitative details of stock, namely:

- Goods received
- Goods supplied
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- Goods sent on approval basis
- Goods sent or received on job work
- Closing stock

These records shall be retained for the prescribed period and made available for verification.

WHY IT MATTERS

- Ensures accurate reporting in GST returns.
- Strengthens ITC claims and defends during audit.
- Helps in correct GST rate application based on HSN.
- Supports inventory control and business decision-making.

RISKS OF NON-COMPLIANCE

- Differences in stock may lead to demand of tax, interest & penalties.
- Incorrect HSN mapping can result in wrong GST rate application.
- DENIED — Denial of ITC due to improper reconciliation.
- Audit objections and prolonged departmental scrutiny.

ACTION POINTS

- Maintain HSN-wise stock ledger on a daily/real-time basis.
- Reconcile stock records monthly with purchases, sales and financial books.
- Ensure accurate HSN classification for all goods.
- Perform physical stock verification at least quarterly.
- Document and resolve all stock variances promptly.

CA'S TIP

A well-maintained HSN-wise stock register is one of the first things GST officers verify during audit. Start monthly reconciliation and physical verification—this small habit today can save you from big disputes tomorrow.

"Record Accurate Stock. Strengthen Compliance. Secure Your Business."

13 Rule 86B —
1% Cash Payment of Output Tax

A cash component of at least 1% of output tax liability must be paid in cash when the monthly taxable turnover exceeds ₹50 lakh.

DOCUMENTS REQUIRED

GSTR-3B
For computation of output tax liability and verification of cash payment.

Electronic Credit Ledger
To verify ITC utilization and balance during the tax period.

APPLICABILITY OF RULE 86B

If the aggregate value of all taxable supplies, exempt supplies, exports of goods and services and inter-State supplies of persons having the same PAN exceeds ₹50 lakh in a financial year, the registered person shall pay, in each of the subsequent months of that financial year, an amount equivalent to 1% of such tax (output tax liability) in cash.

RELEVANT PROVISION

Rule 86B of CGST Rules, 2017

A registered person whose aggregate turnover in the preceding financial year exceeds ₹50 lakh shall pay, in each of the subsequent months of that financial year, an amount equivalent to 1% of such tax (output tax liability) in cash.

Purpose

To ensure that a portion of output tax is paid in cash and not entirely through ITC.

EXCEPTIONS TO RULE 86B

The provisions of Rule 86B shall not apply in the following cases:

- Income tax paid over ₹1 lakh in each of the last two financial years; or
- GST refund claimed during the current financial year (up to the end of the previous month) on account of inverted duty structure or exports (with payment of tax) exceeds ₹1 lakh; or
- The supplier is a Government Department or Public Sector Undertaking; or
- The registered person is located in the North Eastern States, Jammu & Kashmir or Himachal Pradesh; or
- The registered person has paid an amount in cash, as a percentage of output tax liability, which is higher than 1%.

Note: Any relaxation / amendment notified by the Government from time to time shall be applicable.

EXAMPLE

Monthly Output Tax Liability	₹ 5,00,000
1% Cash Payment (Minimum)	₹ 5,000
ITC Utilization Allowed	₹ 4,95,000

If cash payment of 1% is not made, the return cannot be filed.

KEY COMPLIANCE POINTS

- Compute aggregate turnover at the beginning of the financial year.
- Once threshold of ₹50 lakh is crossed, pay 1% of output tax in cash every month.
- Cash payment must be made before filing GSTR-3B.
- Failure to comply will restrict filing of GSTR-3B and may attract late fees and interest.
- Maintain proper reconciliation of cash payment in books and ledgers.

CA's TIP

Plan your cash flow in advance to ensure timely payment of 1% of output tax in cash.
This small compliance avoids return filing blockage, interest and unnecessary litigation.

PAY 1% IN CASH.
STAY COMPLIANT.
STAY AHEAD.

“ Follow Rule 86B. Pay 1% in cash. Stay compliant, stay worry-free. ”

14 Sales vs E-Invoice vs E-Way Bill

Monthly Reconciliation is Crucial!

Reconciling the **Sales Register** with **E-Invoice** and E-Way Bill reports every month ensures accurate reporting, **prevents mismatches**, and **helps avoid** departmental scrutiny.

DOCUMENTS REQUIRED

Sales Register
Detailed record of all outward supplies including invoice number, date, value, GST.

E-Invoice Report
System generated report of all e-invoices issued during the period.

E-Way Bill Report
Summary report of all e-way bills generated during the period.

WHY RECONCILIATION MATTERS?

- Ensures all sales are reported correctly and completely.
- Detects missing, duplicate or mismatched invoices / e-way bills.
- Reduces the risk of notice, demand and penalty.
- Strengthens internal controls and improves compliance.
- Helps in accurate filing of GSTR-1, GSTR-3B and Annual Return.

COMMON GAPS THAT TRIGGER DEPARTMENT SCRUTINY

- Sales in books but **missing in e-invoice** report.
- E-invoices issued but **not recorded in sales register.**
- E-way bills generated **but invoices missing or value mismatch.**
- Mismatch in taxable **value or tax amount.**
- Cancelled or duplicate invoices / e-way bills **not reviewed.**

RELEVANT GST PROVISIONS

Rule 46 of CGST Rules, 2017
Every registered person shall issue invoice / e-invoice for supply of goods / services as prescribed.

Rule 138E of CGST Rules, 2017
E-way bill is mandatory for movement of goods as prescribed under the Rules.

BEST PRACTICES

- Reconcile data every month before filing returns.
- Use auto-reconciliation tools / ERP reports for accuracy.
- Investigate and document mismatches with proper reason.
- Ensure timely reporting and corrections, if any.
- Maintain reconciliation working papers for audit support.

CA'S TIP

A timely monthly reconciliation of Sales Register, E-Invoice and E-Way Bill reports is one of the strongest preventive steps against GST notices and future litigation.

“ Reconcile Today, Stay Compliant Tomorrow! ”

15 Blocked ITC — Section 17(5), CGST Act, 2017

Not all Input Tax Credit (ITC) can be claimed. Section 17(5) of the CGST Act, 2017 specifically restricts ITC on certain goods and services, even if used in the course or furtherance of business.

DOCUMENTS REQUIRED

- ITC Register
- Purchase Register
- Expense Ledger
- Tax Invoices & Debit Notes
- Employee Benefit Details
- Fixed Asset Register

KEY COMPLIANCE CHECKS

- Identify goods/services covered under Section 17(5).
- Ensure ITC on such items is not claimed.
- Review ITC register regularly.
- Reverse ineligible ITC, if already claimed.
- Maintain proper documentation and supporting evidence.

WHY IT MATTERS

- Prevents wrong ITC claims and future tax demands.
- Avoids interest, penalty and litigation.
- Ensures clean compliance during GST audit.

RELEVANT LEGAL PROVISION (SUMMARY)

Section 17(5) of the CGST Act, 2017

Input tax credit shall not be available in respect of the following, namely:—

(a) Motor vehicles and other conveyances except when they are used for making the following taxable supplies, namely:—

(i) further supply of such vehicles; or

(ii) transportation of passengers.

(b) food and beverages, outdoor catering, beauty treatment, health service, cosmetic and plastic surgery;

(c) goods and services or both received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account including when such goods or services or both are used in the course or furtherance of business;

(d) goods or services or both received by a taxable person for personal use or consumption;

(e) goods or services or both lost, stolen, destroyed, written off or disposed of by way of gift or free samples;

(f) goods or services or both on which tax has been paid under Section 10 (composition levy); goods and services or both received by a taxable person from a supplier who is not registered.

Note: The above list is not exhaustive. Please refer to the latest notifications / amendments for updates.

COMMON EXAMPLES OF BLOCKED ITC

- Motor vehicles, related expenses, fuel, repair & insurance (except further supply or passenger transportation)
- Food, drinks, snacks, restaurant bills (including outdoor catering)
- Health insurance (unless employer provides to employee u/s 17(5)(b))
- Construction of building on own account (except plant & machinery)
- Goods / services for personal use or for non-business purposes
- Gifts, free samples, promotional items, goods written off or destroyed
- Purchases from composition dealers (Section 10)
- Goods / services from unregistered suppliers

RISKS OF CLAIMING BLOCKED ITC

- Reversal of ITC with interest u/s 50
- Penalty u/s 73/74 of CGST Act
- Departmental scrutiny & audit objections
- Cash flow blockage & unnecessary litigation

CA'S RECOMMENDATION

- Review all expenses and purchases against Section 17(5) before availing ITC.
- Ensure blocked ITC is not claimed in GSTR-3B.
- Maintain proper records and working papers to support compliance.
- Stay updated on changes in law and notifications.

CA'S TIP

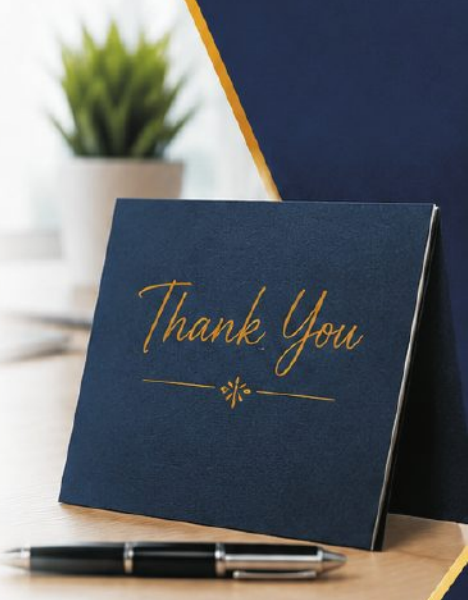
A small mistake in ITC claims can lead to big tax demands. Review regularly, claim wisely and stay compliant!

"Claim only what you are eligible for. Comply today, avoid risk tomorrow."

Thank You!

for **trusting us** with your compliance journey.

We hope this GST Health Checklist helps you strengthen compliance, reduce risks and drive your business forward with confidence.



- Stay Compliant
- Avoid Notices
- Save Tax, Interest & Penalties
- Strengthen Your Business

> “Good compliance today, a better and stronger business tomorrow.”

YOUR COMPLIANCE PARTNER

R Khurana & Associates

Chartered Accountants

30, 1st Floor, AA Block, Shalimar Bagh, Delhi-110088 | 9891526796 | ca@rkhurana.co

We are always here to support you.

Let's grow together, compliantly!