

**Law and Provisions under CGST**  
**Chapter 8 – ACCOUNTS AND RECORDS**

**8.0 ACCOUNTS AND RECORDS** – The provisions related to Accounts and Records - Accounts and other records and Period of retention of accounts are covered under Chapter VIII of the CGST Act 2017 from Section 35 to Section 36.

The Central Government has appointed the 1st day of July, 2017, as the date on which the provisions of these sections came in to force vide [Notification No. 9/2017- Central Tax dated 28.06.2017](#).

<b>Chapter VIII of the CGST Act 2017 - Accounts and Records</b>	
<b>Section</b>	<b>Particulars</b>
Section 35	Accounts and other records
Section 36	Period of retention of accounts

<b>CGST Rules 2017 - Accounts and Records</b>	
<b>Rules</b>	<b>Particulars</b>
Rule 56	Maintenance of accounts by registered persons
Rule 57	Generation and maintenance of electronic records
Rule 58	Records to be maintained by owner or operator of godown or warehouse and transporters

<b>Forms - Accounts and Records</b>	
<b>Forms</b>	<b>Particulars</b>
FORM GST ENR-01	Application for Enrolment under section 35(2)
FORM GST ENR-02	Application for obtaining unique common enrolment number

**8.1 Accounts and other records. [Section 35]**

<b>Section 35(1)</b>	01.07.2017 to till date	<p><b>Registered person shall keep and maintain, at his principal place of business, a true and correct account of Production, inward and outward supply of goods or services or both, stock of goods, input tax credit availed, output tax payable and paid; and such other particulars as may be prescribed.</b></p> <p>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—</p> <table border="1" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 5%;">(a)</td> <td>production or manufacture of goods;</td> </tr> <tr> <td>(b)</td> <td>inward and outward supply of goods or services or both;</td> </tr> </table>	(a)	production or manufacture of goods;	(b)	inward and outward supply of goods or services or both;
(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:
<b>First Proviso</b>	01.07.2017 to till date	<p><b>The accounts relating to each place of business shall be kept at such places of business, where more than one place of business.</b></p> <p><b>Provided that</b> 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:</p>
<b>Second Proviso</b>	01.07.2017 to till date	<p><b>Registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.</b></p> <p><b>Provided further that</b> the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.</p>
<b>Section 35(2)</b>	01.07.2017 to till date	<p><b>Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.</b></p> <p>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.</p>
<b>Section 35(3)</b>	01.07.2017 to till date	<p><b>The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.</b></p> <p>The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.</p>
<b>Section 35(4)</b>	01.07.2017 to till date	<p><b>The Commissioner may permit any class of taxable person who is not in a position to keep and maintain accounts in accordance with the provisions of this section, to maintain accounts in such manner as may be prescribed.</b></p> <p>Where the Commissioner considers that any class of taxable person is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of</p>

		taxable persons to maintain accounts in such manner as may be prescribed.
<b>Section 35(5)</b>	01.07.2017 31.07.2021	<p><b>Every registered person whose turnover during a financial year exceeds the prescribed limit<sup>s</sup> 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 i.e. GSTR 9C, under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed; 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, are not required to get his accounts audited by a chartered accountant or a cost accountant.</b></p> <p>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.</p> <p><b>Provided that</b> 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.</p>
	01.08.2021 to till date	<p><sup>1</sup>[*****]</p> <div style="border: 1px solid black; padding: 5px;"> <p>1. Omitted The clause (5) w.e.f. 01.08.2021 vide Section 110 of the Finance Act, 2021 (NO. 13 OF 2020) which has come into force vide <a href="#">Notification No. 29/2021 – Central Tax dated 30th July, 2021</a>.</p> </div>
<b>Section 35(6)</b>	01.07.2017 to till date	<p><b>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. – The provision shall not apply in case of the provisions of clause (h) of sub-section (5) of section 17.</b></p>

		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.
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**8.1.1.1 Departmental Clarifications - Issues in respect of maintenance of books of accounts relating to additional place of business by a principal or an auctioneer for the purpose of auction of tea, coffee, rubber etc.- [Circular No.23/23/2017-GST dated 21st December, 2017](#) and [Corrigendum to Circular No. 23/23/2017-GST dated 4 th September, 2018](#)**

Various communications have been received regarding the difficulties being faced by a principal and an auctioneer in relation to maintaining books of accounts at each and every additional place of business related to stock of goods like tea, coffee, rubber, etc. meant for supply through an auction. Therefore, in exercise of the powers conferred under section 168 (1) of the Central Goods and Services Tax Act, 2017, for the purpose of uniformity in the implementation of the Act, it has been decided to clarify this matter.

2. As per the first proviso of section 35(1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as 'the CGST Act') both the principal and the auctioneer are required to maintain the books of accounts relating to their additional place(s) of business in such places. It has been represented that both the principal as well as the auctioneer may be allowed to maintain the books of accounts relating to the additional place(s) of business at their principal place of business itself.

3. The issue has been examined. In exercise of the powers conferred under section 168 (1) of the CGST Act, for the purpose of uniformity in the implementation of the Act, it is hereby clarified that –

(a) The principal and the auctioneer of tea, coffee, rubber etc. are required to declare warehouses where such goods are stored as their additional place of business. The buyer is also required to disclose such warehouse as his additional place of business if he wants to store the goods purchased through auction in such warehouses.

(b) Both the principal and the auctioneer are required to maintain the books of accounts relating to each and every place of business in that place itself as per the first proviso to sub-section (1) of section 35 of the CGST Act. However, in case difficulties are faced in maintaining the books of accounts, it is clarified that they may maintain the books of accounts relating to the additional place(s) of business at their principal place of business instead of such additional place(s).

(c) Such principal or auctioneer shall intimate their jurisdictional proper officer in writing about the maintenance of books of accounts relating to additional place(s) of business at their principal place of business.

(d) Further, the principal or the auctioneer shall be eligible to avail input tax credit (ITC) subject to the fulfilment of other provisions of the Act and the rules made thereunder.

4. It is further clarified that this Circular is applicable to the supply of tea, coffee, rubber, etc where the auctioneer claims ITC in respect of the supply made to him by the principal before or after the auction of such goods and the said goods are supplied only through auction..

**8.1.1.2 Departmental Clarifications - Clarifications of certain issues under GST- [Circular No. 47/21/2018-GST dated 08th June, 2018](#)**

Representations have been received seeking clarification on certain issues under the GST laws. The same have been examined and the clarifications on the same are as below:

<i>Sl. No.</i>	<i>Issue</i>	<i>Clarification</i>
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1	<p>Whether moulds and dies owned by Original Equipment Manufacturers (OEM) that are sent free of cost (FOC) to a component manufacturer is leviable to tax and whether OEMs are required to reverse input tax credit in this case?</p>	<p>1.1 Moulds and dies owned by the original equipment manufacturer (OEM) which are provided to a component manufacturer (the two not being related persons or distinct persons) on FOC basis does not constitute a supply as there is no consideration involved. Further, since the moulds and dies are provided on FOC basis by the OEM to the component manufacturer in the course or furtherance of his business, there is no requirement for reversal of input tax credit availed on such moulds and dies by the OEM.</p> <p>1.2 It is further clarified that while calculating the value of the supply made by the component manufacturer, the value of moulds and dies provided by the OEM to the component manufacturer on FOC basis shall not be added to the value of such supply because the cost of moulds/dies was not to be incurred by the component manufacturer and thus, does not merit inclusion in the value of supply in terms of section 15(2)(b) of the Central Goods and Services Tax Act, 2017 (CGST Act for short).</p> <p>1.3 However, if the contract between OEM and component manufacturer was for supply of components made by using the moulds/dies belonging to the component manufacturer, but the same have been supplied by the OEM to the component manufacturer on FOC basis, the amortised cost of such moulds/dies shall be added to the value of the components. In such cases, the OEM will be required to reverse the credit availed on such moulds/dies, as the same will not be considered to be provided by OEM to the component manufacturer in the course or furtherance of the former's business.</p>
2	<p>How is servicing of cars involving both supply of goods (spare parts) and services (labour), where the value of goods and services are shown separately, to be treated under GST?</p>	<p>2.1 The taxability of supply would have to be determined on a case to case basis looking at the facts and circumstances of each case.</p> <p>2.2 Where a supply involves supply of both goods and services and the value of such goods and services supplied are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately.</p>
3	<p>In case of auction of tea, coffee, rubber etc., whether the books of accounts are required to be maintained at every place of business by the principal and the auctioneer, and whether they are eligible to avail input tax credit?</p>	<p>3.1 The requirement of maintaining the books of accounts at the principal place of business and additional place(s) of business is clarified as below:</p>

		<p>(a) For the purpose of auction of tea, coffee, rubber, etc, the principal and the auctioneer may declare the warehouses, where such goods are stored, as their additional place of business. The buyer is also required to disclose such warehouse as his additional place of business if he wants to store the goods purchased through auction in such warehouses. For the purpose of supply of tea through a private treaty, the principal and an auctioneer may also comply with the said provisions.</p> <p>(b) The principal and the auctioneer for the purpose of auction of tea, coffee, rubber etc., or the principal and the auctioneer for the purpose of supply of tea through a private treaty, are required to maintain the books of accounts relating to each and every place of business in that place itself in terms of the first proviso to sub-section (1) of section 35 of the CGST Act. However, in case difficulties are faced in maintaining the books of accounts, it is clarified that they may maintain the books of accounts relating to the additional place(s) of business at their principal place of business instead of such additional place(s).</p> <p>(c) The principal and the auctioneer for the purpose of auction of tea, coffee, rubber etc., or the principal and the auctioneer for the purpose of supply of tea through a private treaty, shall intimate their jurisdictional officer in writing about the maintenance of books of accounts relating to the additional place(s) of business at their principal place of business.</p>
		<p>3.2 It is further clarified that the principal and the auctioneer for the purpose of auction of tea, coffee, rubber etc., or the principal and the auctioneer for the purpose of supply of tea through a private treaty, shall be eligible to avail input tax credit subject to the fulfilment of other provisions of the CGST Act read with the rules made thereunder.</p>
<p>4</p>	<p>In case of transportation of goods by railways, whether goods can be delivered even if the e-way bill is not produced at the time of delivery?</p>	<p>As per proviso to rule 138(2A) of the Central Goods and Services Tax Rules, 2017 (CGST Rules for short), the railways shall not deliver the goods unless the e-way bill is produced at the time of delivery.</p>

5	<p>Whether e-way bill is required in the following cases-</p> <p>(i) Where goods transit through another State while moving from one area in a State to another area in the same State.</p> <p>(ii) Where goods move from a DTA unit to a SEZ unit or vice versa located in the same State.</p>	<p>(i) It may be noted that e-way bill generation is not dependent on whether a supply is inter State or not, but on whether the movement of goods is inter-State or not. Therefore, if the goods transit through a second State while moving from one place in a State to another place in the same State, an e-way bill is required to be generated.</p> <p>(ii) Where goods move from a DTA unit to a SEZ unit or vice versa located in the same State, there is no requirement to generate an e-way bill, if the same has been exempted under rule 138(14)(d) of the CGST Rules.</p>
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**8.1.1.3 Departmental Clarifications - E-way bill in case of storing of goods in godown of transporter- [Circular No. 61/35/2018-GST dated 4th September, 2018](#)**

Various representations have been received on the matter pertaining to the textile sector and problems being faced by weavers & artisans regarding storage of their goods in the warehouse of the transporter. It has been stated that textile traders use transporters' godown for storage of their goods due to their weak financial conditions. The transporters providing such warehousing facility will have to get themselves registered under GST and maintain detailed records in cases where the transporter takes delivery of the goods and temporarily stores them in his warehouse for further transportation of the goods till the consignee/recipient taxpayer's premises. The transport industry is facing difficulties due to the same and a request has been made to treat these godowns as transit godowns.

2. In view of the difficulties being faced by the transporters and the consignee/recipient taxpayer and to ensure uniformity in the procedure across the sectors and the country, the Board in exercise of its power conferred under section 168(1) of the Central Goods and Services Tax Act, 2017 (hereafter referred to as the CGST Act) hereby clarifies the issues in the succeeding paragraphs.

3. As per rule 138 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the CGST Rules) e-way bill is a document which is required for the movement of goods from the supplier's place of business to the recipient taxpayer's place of business. Therefore, the goods in movement including when they are stored in the transporter's godown (even if the godown is located in the recipient taxpayer's city/town) prior to delivery shall always be accompanied by a valid e-way bill.

4. Further, section 2(85) of the CGST Act defines the "place of business" to include "a place from where the business is ordinarily carried out, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both". An additional place of business is the place of business from where taxpayer carries out business related activities within the State, in addition to the principal place of business.

5. Thus, in case the consignee/ recipient taxpayer stores his goods in the godown of the transporter, then the transporter's godown has to be declared as an additional place of business by the recipient taxpayer. In such cases, mere declaration by the recipient taxpayer to this effect with the concurrence of the transporter in the said declaration will suffice. Where



the transporter's godown has been declared as the additional place of business by the recipient taxpayer, the transportation under the e-way bill shall be deemed to be concluded once the goods have reached the transporter's godown (recipient taxpayer' additional place of business). Hence, e-way bill validity in such cases will not be required to be extended.

6. Further, whenever the goods are transported from the transporters' godown , which has been declared as the additional place of business of the recipient taxpayer, to any other premises of the recipient taxpayer then, the relevant provisions of the e-way bill rules shall apply. Hence, whenever the goods move from the transporter's godown (i.e, recipient taxpayer's additional place of business) to the recipient taxpayer's any other place of business, a valid e-way bill shall be required, as per the extant State-specific e-way bill rules.

7. Further, the obligation of the transporter to maintain accounts and records as specified in section 35 of the CGST Act read with rule 58 of the CGST Rules shall continue as a warehousekeeper. Furthermore, the recipient taxpayer shall also maintain accounts and records as required under rules 56 and 57 of the CGST Rules. Furthermore, as per rule 56 (7) of the CGST Rules, books of accounts in relation to goods stored at the transporter's godown (i.e., the recipient taxpayer's additional place of business) by the recipient taxpayer may be maintained by him at his principal place of business. It may be noted that the facility of declaring additional place of business by the recipient taxpayer is in no way putting any additional compliance requirement on the transporters.

**8.1.1.4 Departmental Clarifications - Circular to clarify the procedure in respect of return of time expired drugs or medicines- [Circular No. 72/46/2018-GST dated 26th October, 2018](#)**

Various representations have been received seeking clarification on the procedure to be followed in respect of return of time expired drugs or medicines under the GST laws. The issues raised in the said representations have been examined and to ensure uniformity in the implementation of the law across the field formations, the Board, in exercise of its powers conferred under section 168(1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the "CGST Act") hereby clarifies the issue in succeeding paragraphs.

2. The common trade practice in the pharmaceutical sector is that the drugs or medicines (hereinafter referred to as "goods") are sold by the manufacturer to the wholesaler and by the wholesaler to the retailer on the basis of an invoice/bill of supply as case may be. It is significant to mention here that such goods have a defined life term which is normally referred to as the date of expiry. Such goods which have crossed their date of expiry are colloquially referred to as time expired goods and are returned back to the manufacturer, on account of expiry, through the supply chain.

3. It is clarified that the retailer/ wholesaler can follow either of the below mentioned procedures for the return of the time expired goods:

**(A) Return of time expired goods to be treated as fresh supply:**

a) In case the person returning the time expired goods is a registered person (other than a composition taxpayer), he may, at his option, return the said goods by treating it is as a fresh supply and thereby issuing an invoice for the same (hereinafter referred to as the, "return supply"). The value of the said goods as shown in the invoice on the basis of which the goods were supplied earlier may be taken as the value of such return supply. The wholesaler or

manufacturer, as the case may be, who is the recipient of such return supply, shall be eligible to avail Input Tax Credit (hereinafter referred to as "ITC") of the tax levied on the said return supply subject to the fulfilment of the conditions specified in Section 16 of the CGST Act.

b) In case the person returning the time expired goods is a composition taxpayer, he may return the said goods by issuing a bill of supply and pay tax at the rate applicable to a composition taxpayer. In this scenario there will not be any availability of ITC to the recipient of return supply.

c) In case the person returning the time expired goods is an unregistered person, he may return the said goods by issuing any commercial document without charging any tax on the same.

d) Where the time expired goods which have been returned by the retailer/wholesaler are destroyed by the manufacturer, he/she is required to reverse the ITC availed on the return supply in terms of the provisions of clause (h) of sub-section (5) of section 17 of the CGST Act. It is pertinent to mention here that the ITC which is required to be reversed in such scenario is the ITC availed on the return supply and not the ITC that is attributable to the manufacture of such time expired goods.

Illustration: Supposedly, manufacturer has availed ITC of Rs. 10/- at the time of manufacture of medicines valued at Rs. 100/-. At the time of return of such medicine on the account of expiry, the ITC available to the manufacturer on the basis of fresh invoice issued by wholesaler is Rs. 15/-. So, when the time expired goods are destroyed by the manufacturer he would be required to reverse ITC of Rs. 15/- and not of Rs. 10/-.

### **(B) Return of time expired goods by issuing Credit Note:**

a) As per sub-section (1) of Section 34 of the CGST Act the supplier can issue a credit note where the goods are returned back by the recipient. Thus, the manufacturer or the wholesaler who has supplied the goods to the wholesaler or retailer, as the case may be, has the option to issue a credit note in relation to the time expired goods returned by the wholesaler or retailer, as the case may be. In such a scenario, the retailer or wholesaler may return the time expired goods by issuing a delivery challan. It may be noted that there is no time limit for the issuance of a credit note in the law except with regard to the adjustment of the tax liability in case of the credit notes issued prior to the month of September following the end of the financial year and those issued after it.

b) It may further be noted that if the credit note is issued within the time limit specified in sub-section (2) of section 34 of the CGST Act, the tax liability may be adjusted by the supplier, subject to the condition that the person returning the time expired goods has either not availed the ITC or if availed has reversed the ITC so availed against the goods being returned.

c) However, if the time limit specified in sub-section (2) of section 34 of the CGST Act has lapsed, a credit note may still be issued by the supplier for such return of goods but the tax liability cannot be adjusted by him in his hands. It may further be noted that in case time expired goods are returned beyond the time period specified in the sub-section (2) of section 34 of the CGST Act and a credit note is issued consequently, there is no requirement to declare such credit note on the common portal by the supplier (i.e. by the person who has issued the credit note) as tax liability cannot be adjusted in this case.

d) Further, where the time expired goods, which have been returned by the retailer/wholesaler, are destroyed by the manufacturer, he/she is required to reverse the ITC attributable to the

manufacture of such goods, in terms of the provisions of clause (h) of subsection (5) of section 17 of the CGST Act. This has been illustrated in table below:

	<b>Date of Supply of goods from manufacturer/wholesaler to wholesaler/retailer</b>	<b>Date of return of time expired goods from retailer/wholesaler to wholesaler/manufacturer</b>	<b>Treatment in terms of tax liability &amp; credit note</b>
<b>Case 1</b>	1st July, 2017	20th September, 2018	Credit note will be issued by the supplier (manufacturer/wholesaler) and the same to be uploaded by him on the common portal. Subsequently, tax liability can be adjusted by such supplier provided the recipient (wholesaler / retailer) has either not availed the ITC or if availed has reversed the ITC.
<b>Case 2</b>	1st July, 2017	20th October, 2018	Credit note will be issued by the supplier (manufacturer/wholesaler) but there is no requirement to upload the same on the common portal. Subsequently tax liability cannot be adjusted by such supplier.

3. It may be noted that though this circular discusses the scenarios in relation to return of goods on account of expiry of the same, it may be applicable to such other scenarios where the goods are returned on account of reasons other than the one detailed above.

## 8.2 Period of retention of accounts. [Section 36]

<b>Section 36</b>	01.07.2017 to till date	<b>Books of account or other records in accordance with the provisions of section 35(1) shall be retained 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:</b>  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:
<b>First Proviso</b>	01.07.2017 to till date	<b>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</b>

		<p><b>one year after final disposal of such appeal or revision or proceedings or investigation, or 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, whichever is later.</b></p> <p><b>Provided that</b> 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.</p>
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