



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Indian Companies Act, 1956)

OFFICE OF THE SECRETARY (ADMINISTRATION)

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CIN: U40100KL2011SGC027424

No. FA/Tax Cell/GST/Pole Rent/2017-18

Date: 21/03/2018

CIRCULAR

Sub: - GST Act – Accounting and remittance of GST on Pole Rent collection-detailed direction – reg.

Ref: - B.O (FTD) No. 2251/2017 (D (D&IT)/D5/Asianet-2/2011) dated 31/08/2017.

As per the BO referred above, KSEBL is collecting pole rent quarterly, in advance. Cable TV Operators have to remit the pole rent due for the financial year in four quarterly advance instalments, i.e., $\frac{1}{4}$ of total pole rent due in every quarter.

KSEBL shall raise a demand notice against the Cable TV Operators, during March, directing them to remit the pole rent, including additional security deposit, if any, before the due dates. For delay in collection, interest @ 18% (@12%, for delay less than 30 days) is being levied.

Presently, though ARUs were raising demand notice for pole rents on the Cable TV Operators during March of previous financial year, the same was accounted only on receipt basis, i.e., at the time of receipt of payment.

Clarification on the impact of GST on the pole rent, i.e., whether the Invoice to be raised and GST remitted at the time of demand, or at the time of due date, or after collection of the same from the Cable TV operators is seen sought for from various offices.

As per the provisions of GST Act –

- i. In respect of advance receipt of pole rent before the due date, KSEBL has to issue receipt voucher /GST Invoice containing the prescribed details.
- ii. On the due dates, i.e., on 1st April, 1st July, 1st October and 1st January of every financial year, Invoice has to be raised and accounted, for the balance amount receivable, whether or not the amount is remitted by the party.

Based on the above provisions, in order to introduce accrual basis accounting for pole rent income for more efficient presentation of Financial Statements and reducing future litigations in respect of GST, detailed course of action to be undertaken by ARUs in respect of accounting and collection of pole rent is detailed below:

1. During the month of March of every year, ARUs have to issue Proforma Invoice to Cable TV Operators, demanding the pole rent for the next Financial Year, to be paid in 4 equal quarterly instalments, in advance. Separate demand shall be raised for additional security deposit, if any. No accounting is required at the time of raising Proforma Invoice.
2. For advance receipt of 1st instalment of pole rent due on 1st April, on or before 31st March, ARU has to issue a GST Invoice to the consumer. No GST Invoice is required for collection of SD/additional SD from Cable TV Operators.

The following Journal Entry need to be passed for accounting the receipt of pole rent in advance:

24.110	Cash on Hand Dr	Receipt in cash, DD, Cheque, etc
	OR	
24.3XX	Collecting Bank A/c Dr	Receipt through online transfer
27.425	Income Tax Deducted at Source – Other Receipts Dr	Tax Deducted by Cable TV operators, if any, from pole rent
To 46.956	SGST Collection	SGST @ 9%
To 46.955	CGST Collection	CGST @ 9%
To 62.908	Maintenance charges for poles from Cable TV Operators	Pole Rent

Details of Pole Rent (incl. GST) collected in March, has to be reported to Corporate Office (Tax Cell) in the monthly report for March, in the format already forwarded.

3. Being advance income in nature, the amount received as advance pole rent is to be transferred to “Pole Rent Advance Account” by passing the following Journal Entry at the time of preparation of monthly accounts of March –

62.908	Maintenance charges for poles from Cable TV Operators Dr	pole rent received in advance in current FY in respect of the next FY
To 46.908	Pole Rent Advance	

4. The above entry is to be reversed on 1st April of next financial year.
5. Security Deposit/Additional Security deposit shall be accounted at the time of receipt only.

The following Journal Entry need to be passed for accounting the receipt of security deposit/additional security deposit:

24.110	Cash on Hand Dr	Receipt in cash, DD, Cheque, etc
	OR	
24.3XX	Collecting Bank A/c Dr	Receipt through online transfer
To 46.121	Security Deposit in Cash–O&M	SD / Additional SD

6. For advances received in respect of other quarters, Invoice has to be issued and accounted at the time of receipt itself.
7. ARUs have to issue Invoice in the prescribed format on the first working day of April, July, October and January of every financial year, in respect of Pole Rent due/balance receivable for the respective quarter.

The following Journal Entry may be passed for accounting the Invoice for pole rent –

28.118	Sundry Receivables – Pole Rent Dr	Total due incl. GST
To 62.908	Maintenance charges for poles from Cable TV Operators	Pole rent
To 46.955	CGST collection	CGST @ 9%
To 46.956	SGST Collection	SGST @ 9%

Details of Pole Rent and GST accounted during the month, has to be reported to Corporate Office (Tax Cell) in the monthly report for relevant month, in the format already forwarded.

8. At the time of actual collection, interest need to be computed on Pole Rent and SD including GST amount for any delay in payment. KSEBL has to issue Invoice for the

Interest portion along with GST at the then prevailing GST Rate (presently, 18%) on Interest.

The following Journal Entry may be passed for accounting of interest/penalty due on late payment of pole rent and collection thereof

Interest due on late payment

28.118	Sundry Receivables – Pole Rent Dr	Total due incl. GST
To 62.968	Interest/penalty on Pole Rent & SD	Interest/penalty calculated
To 46.955	CGST collection	CGST @ 9% on interest/penalty
To 46.956	SGST Collection	SGST @ 9% on interest/penalty

For collection of dues

24.110	Cash on Hand Dr	Receipt in cash, DD, Cheque, etc
	OR	
24.3XX	Collecting Bank A/c Dr	Receipt through online transfer
27.425	Income Tax Deducted at Source – Other Receipts Dr	
To 28.118	Sundry Receivables - Pole Rent	

9. Where the Pole Rent has been increased due to any reason at a later date, fresh Invoice has to be raised for the difference amount and GST thereon at the time of demand and the same is to be reported to Corporate Office in the relevant month.

Journal Entry as per Sl. No. (7) has to be passed for accounting the same.

10. After raising Invoice for pole rent, where due to any reason, the pole rent become uncollectible or revised downwards, Credit Note in respect of the un-collectible portion may be issued, at the time of sanctioning the reversal/write off/downward revision, referring to the Invoice already issued.

As the GST on pole rent is already remitted at the time of raising Invoice and we will not be able to take credit of the same, after September following the end of the financial year in which such Invoice was issued or the date of furnishing of the relevant annual return, whichever is earlier, ARUs have to ensure that Credit Notes, if any, are issued before that date.

The following Journal Entry may be passed for accounting Credit Note –

62.908	Maintenance charges for poles from Cable TV Operators Dr	Pole rent reversed/ waived/written of
46.955	CGST Collection Dr	CGST @ 9%
46.956	SGST Collection Dr	SGST @ 9%
To 28.118	Sundry Receivables - Pole Rent	Amount reversed/ waived/written of

11. As already stated, ARUs were following cash system for accounting pole rent income. In order to shift to accrual basis accounting, before finalizing the accounts for FY2017-18, all ARUs have to assess the total dues from Cable TV Operators for period up to Financial Year ending 31/03/2018, along with Interest due up to 31/03/2018, and account the same along with GST thereof in March 2018 itself. Invoice in prescribed format has to be raised on the consumers, and the same is to be reported in the monthly report for March 2018, in the format already forwarded.

The following Journal Entry may be passed for accounting the above, in March 2018 –

28.118	Sundry Receivables – Pole Rent Dr	Total due incl. GST
To 62.908	Maintenance charges for poles from Cable TV Operators	Pole rent
To 62.968	Interest/penalty on Pole Rent & SD	
To 46.955	CGST collection	CGST @ 9%
To 46.956	SGST Collection	SGST @ 9%

12. Chief Engineer (IT & CR) shall take immediate steps to make necessary modification in SARAS Software for capturing the above transactions.

The above procedures are required for efficient presentation of Financial Statements, compliance of accounting rules and to reduce the chances of future litigations in collection and remittance of GST.

Illustrations for the accounting of pole rent Invoicing and collection thereof is given as Annexure to this Circular.

Sd/-

SECRETARY (ADMIN)

ANNEXUE to Circular on Pole Rent Accounting

	Rent	SGST	CGST	Total
Total Pole Rent due for the year	1,00,000	9,000	9,000	1,18,000
1st Instalment : 01st April				
Amount due (1/4 of total Pole Rent)	25,000	2,250	2,250	29,500
Advance Received in March 25th	10,000	900	900	11,800
TDS @ 10% deducted by Consumer	1,000	-	-	1,000
Received by KSEBL	9,000	900	900	10,800
Balance receivable for 1st Quarter	15,000	1,350	1,350	17,700
Balance received on 01st April	13,000	1,170	1,170	15,340
TDS @ 10% deducted by Consumer	1,300	-	-	1,300
Received by KSEBL	11,700	1,170	1,170	14,040
Balance pending *	2,000	180	180	2,360
2nd Instalment : 01st July				
Amount due (1/4 of total Pole Rent)	25,000	2,250	2,250	29,500
Advance Received in June 20th	15,000	1,350	1,350	17,700
TDS @ 10% deducted by Consumer	1,500	-	-	1,500
Received by KSEBL	13,500	1,350	1,350	16,200
Balance receivable for 2nd Quarter	10,000	900	900	11,800
Balance received on 15th August	8,000	720	720	9,440
TDS @ 10% deducted by Consumer	800	-	-	800
Received by KSEBL	7,200	720	720	8,640
No.of days delayed (01/07 to 15/08)				45
Interest for delay @ 18%				209
GST for Interest @ 18%		19	19	38
Balance pending *	2,000	180	180	2,360
3rd Instalment : 01st October				
Amount due (1/4 of total Pole Rent)	25,000	2,250	2,250	29,500
Advance Received in September	-	-	-	-
Balance receivable for 3rd Quarter	25,000	2,250	2,250	29,500
Balance received on 15th December	23,000	2,070	2,070	27,140
TDS @ 10% deducted by Consumer	2,300	-	-	2,300
Received by KSEBL	20,700	2,070	2,070	24,840
No.of days delayed (01/10 to 15/12)				75
Interest for delay @ 18%				1,004
GST for Interest @ 18%		90	90	180
Balance pending *	2,000	180	180	2,360
4th Instalment : 01st January				
Amount due (1/4 of total Pole Rent)	25,000	2,250	2,250	29,500
Advance Received in December 30th	18,000	1,620	1,620	21,240
TDS @ 10% deducted by Consumer	1,800	-	-	1,800
Received by KSEBL	16,200	1,620	1,620	19,440

Balance receivable for 4th Quarter	7,000	630	630	8,260
Balance received on 25th January	5,000	630	630	6,260
TDS @ 10% deducted by Consumer	500	-	-	500
Received by KSEBL	4,500	630	630	5,760
No.of days delayed (01/01 to 25/01)				24
Interest for delay @ 12%				49
GST for Interest @ 18%		4	4	8
Balance pending *	2,000	180	180	2,360
* Balance in Receivable Account	8,000	720	720	9,440

Accounting of Pole Rent & GST Collection

1st Instalment: Due on 01st April

Receipt of Pole Rent in Advance [Issue Invoice on the date of receipt - by ARU]

25th March	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	10,800	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	1,000	
	To 46.956 - SGST Payable			900
	To 46.955 - CGST Payable			900
	To 62.908 : Maintenance charges for poles from Cable TV Operators			10,000
	Being Pole Rent due on 1st April, received in advance			

Transfer the advance collection in "Pole Rent" to "Pole Rent Advance" (At ARU)

31st March	62.908 : Maintenance charges for poles from Cable TV Operators	Dr	10,000	
	To 46.908 : Pole Rent Advance			10,000
	Being transfer of Pole Rent due for FY 2018-19, received in Advance, to Pole Rent Advance Account			

Reverse the transfer entry (At ARU)

01st April	46.908 : Pole Rent Advance	Dr	10,000	
	To 62.908 : Maintenance charges for poles from Cable TV Operators			10,000
	Being reversal of Journal Entry made in March 2018, for transfer of Pole Rent received in Advance			

Invoice for balance Pole Rent receivable (At ARU)

01st April	28.118 : Sundry Receivables - Pole Rent	Dr	17,700	
	To 46.956 - SGST Payable			1,350
	To 46.955 - CGST Payable			1,350
	To 62.908 : Maintenance charges for poles from Cable TV Operators			15,000
	Being Invoice raised for balance amount of Pole Rent due for the quarter beginning April__			

Receipt of balance pole Rent**Create additional demand for delay Interest and GST thereon, and raise Invoice**

April	28.118 : Sundry Receivables - Pole Rent	Dr		No Delay Interest for the Quarter
	To 62.968 : Interest/Penalty on Pole Rent and Security Deposit			
	To 46.956 - SGST Payable			
	To 46.955 - CGST Payable			
	Being Invoice raised for delay payment interest/penalty due from consumers			

Collection of Pole Rent, with Interest, if any

1st April	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	14,040	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	1,300	
	To 28.118 : Sundry Receivables - Pole Rent			15,340
	Being Pole Rent, with Delay Interest collected			

GST Remittance on due date (At Corporate Office)

April	46.956 : SGST Payable	Dr	900	
	46.955 : CGST Payable	Dr	900	
	To 24.461 - SBT E-payment A/c			1,800
	Being GST collected on Pole Rent, remitted			

May	GST Remittance (At Corporate Office)			
	46.956 : SGST Payable	Dr	1,350	
	46.955 : CGST Payable	Dr	1,350	
	To 24.461 - SBT E-payment A/c			2,700
	Being GST collected on Pole Rent, remitted			

2nd Instalment: Due on 01st July**Receipt of Pole Rent in Advance [Issue Invoice on the date of receipt - by ARU]**

20th June	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	16,200	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	1,500	
	To 46.956 - SGST Payable			1,350
	To 46.955 - CGST Payable			1,350
	To 62.908 : Maintenance charges for poles from Cable TV Operators			15,000
	Being Pole Rent due on 1st July, received in advance			

Invoice for balance Pole Rent receivable (At ARU)

01st July	28.118 : Sundry Receivables - Pole Rent	Dr	11,800	
	To 46.956 - SGST Payable			900
	To 46.955 - CGST Payable			900
	To 62.908 : Maintenance charges for poles from Cable TV Operators			10,000
	Being Invoice raised for balance amount of Pole Rent due for the quarter beginning July__			

GST Remittance on due date (At Corporate Office)

July	46.956 : SGST Payable	Dr	1,350	
	46.955 : CGST Payable	Dr	1,350	
	To 24.461 - SBT E-payment A/c			2,700
	Being GST collected on Pole Rent, remitted			

Receipt of balance pole Rent**Create additional demand for delay Interest and GST thereon, and raise Invoice**

15th August	28.118 : Sundry Receivables - Pole Rent	Dr	247	
	To Interest/Penalty for delayed Pole Rent			209
	To 46.956 : SGST Payable			19
	To 46.955 : CGST Payable			19
	Being Invoice raised for delay payment interest/penalty due from consumers			

Collection of Pole Rent, with Interest

15th August	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	8,887	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	800	
	To 28.118 : Sundry Receivables - Pole Rent			9,687
	Being Pole Rent, with Delay Interest collected			

GST Remittance (At Corporate Office)

August	46.956 : SGST Payable	Dr	900	
	46.955 : CGST Payable	Dr	900	
	To 24.461 - SBT E-payment A/c			1,800
	Being GST collected on Pole Rent, remitted			

GST Remittance (At Corporate Office)

September	46.956 : SGST Payable	Dr	19	
	46.955 : CGST Payable	Dr	19	
	To 24.461 - SBT E-payment A/c			38
	Being GST collected on Pole Rent, remitted			

3rd Instalment: Due on 01st October**Receipt of Pole Rent in Advance [Issue Invoice on the date of receipt - by ARU]**

	NO ADVANCE RECEIVED		
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Invoice for balance Pole Rent receivable (At ARU)

01st October	28.118 : Sundry Receivables - Pole Rent	Dr	29,500	
	To 46.956 - SGST Payable			2,250
	To 46.955 - CGST Payable			2,250
	To 62.908 : Maintenance charges for poles from Cable TV Operators			25,000
	Being Invoice raised for balance amount of Pole Rent due for the quarter beginning October ____			

GST Remittance on due date (At Corporate Office)

November	46.956 : SGST Payable	Dr	2,250	
	46.955 : CGST Payable	Dr	2,250	
	To 24.461 - SBT E-payment A/c			4,500
	Being GST collected on Pole Rent, remitted			

Receipt of balance pole Rent**Create additional demand for delay and GST thereon, and raise Invoice**

15th December	28. 118 : Sundry Receivables - Pole Rent	Dr	1,184	
	To 62.968 : Interest/Penalty on Pole Rent and Security Deposit			1,004
	To 46.956 - SGST Payable			90
	To 46.955 - CGST Payable			90
	Being Invoice raised for delay payment interest/penalty due from consumers			

Collection of Pole Rent, with Interest

15th December	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	26,024	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	2,300	
	To 28. 118 : Sundry Receivables - Pole Rent			28,324
	Being Pole Rent, with Delay Interest collected			

GST Remittance on due date (At Corporate Office)

January	46.956 : SGST Payable	Dr	90	
	46.955 : CGST Payable	Dr	90	
	To 24.461 - SBT E-payment A/c			180
	Being GST collected on Pole Rent, remitted			

4th Instalment: Due on 01st January**Receipt of Pole Rent in Advance [Issue Invoice on the date of receipt - by ARU]**

30th December	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	19,440	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	1,800	
	To 46.956 - SGST Payable			1,620
	To 46.955 - CGST Payable			1,620
	To 62.908 : Maintenance charges for poles from Cable TV Operators			18,000
	Being Pole Rent due on 1st January, received in advance			

Invoice for balance Pole Rent receivable (At ARU)

01st January	28. 118 : Sundry Receivables - Pole Rent	Dr	8,260	
	To 46.956 - SGST Payable			630
	To 46.955 - CGST Payable			630
	To 62.908 : Maintenance charges for poles from Cable TV Operators			7,000
	Being Invoice raised for balance amount of Pole Rent due for the quarter beginning January			

Receipt of balance pole Rent**Create additional demand for delay and GST thereon, and raise Invoice**

25th January	28. 118 : Sundry Receivables - Pole Rent	Dr	57	
	To 62.968 : Interest/Penalty on Pole Rent and Security Deposit			49
	To 46.956 - SGST Payable			4
	To 46.955 - CGST Payable			4
	Being Invoice raised for delay payment interest/penalty due from consumers			

Collection of Pole Rent, with Interest

25th January	24.110 - Cash on Hand / 24.3XX Collecting Bank A/c	Dr	5,817	
	27.425 - Income Tax Deducted at Source - Other Receipts	Dr	500	
	To 28. 118 : Sundry Receivables - Pole Rent			6,317
	Being Pole Rent, with Delay Interest collected			

GST Remittance on due date (At Corporate Office)

January	46.956 : SGST Payable	Dr	1,620	
	46.955 : CGST Payable	Dr	1,620	
	To 24.461 - SBT E-payment A/c			3,240
	Being GST collected on Pole Rent, remitted			

GST Remittance (At Corporate Office)

February	46.956 : SGST Payable	Dr	630	
	46.955 : CGST Payable	Dr	630	
	To 24.461 - SBT E-payment A/c			1,260
	Being GST collected on Pole Rent, remitted			

Writing off of uncollectible amount

In the given illustration, the balance uncollected amount is Rs. 9,440/- (including GST). The said amount will be shown in the books as receivable.

If the concerned authority decides to write off this amount, the following Journal Entry has to be passed after issuing Credit Note to the Cable TV operator.

	62.908 : Maintenance charges for poles from Cable TV Operators	Dr	8,000	
	46.956 : SGST Payable	Dr	720	
	46.955 : CGST Payable	Dr	720	
	To 28. 118 : Sundry Receivables - Pole Rent			9,440
	Being Credit Note Issued for Pole Rent w/off, for which Invoices are already raised vide No. _____ on _____			