



Date : 19th May, 2018
Topic: GST Audit
Workshop on GST Hosted by:
Trans Hindon Study Circle

By

CA Chitresh Gupta

B.Com(H), FCA, IDT(Cert), IFRS(Cert)

Author: GST- Law , Analysis & Procedures

Managing Partner-Chitresh Gupta & Associates (CGA)

Member Indirect Tax Committee - PHD Chambers of
Commerce

Empanelled Faculty of GST by ICAI

We will be Discussing

S.No Topics

- 1 Audit-Concept
- 2 Relevant Legislative Provisions
- 3 Audit by Tax Authorities
- 4 Special Audit
- 5 Annual Audit

What is Audit ?

- As per section 2(13), 'Audit' means
 - **examination of records, returns and other documents**
 - maintained or furnished under GST Acts/ Rules/ any other law in force
 - to verify the correctness of turnover declared, taxes paid, refund claimed, ITC availed and
 - to assess the compliances with provisions of the Act or rules made thereunder.

Why Required?

- Reliance of Tax Administration on Self Assessment
- Determination of tax liability without intervention of tax official
- To ensure the compliance of law by taxable person

Types of Audit under GST



Audit in GST- Relevant Legal Provisions

Section/ Rule	Act/ Rules	Description
65	CGST	Audit by tax authorities
66	CGST	Special audit
35(5)	CGST	Audit of Accounts by Chartered/ Cost Accountant (Annual Audit)
20	IGST	Application of provisions of CGST Act
21	UTGST	Application of provisions of CGST Act
101	Rules	Audit by Tax Authorities
102	Rules	Special Audit
80(3)	Rules	Annual Return



AUDIT
BY
TAX AUTHORITIES

Audit by Tax Authorities

Power to Conduct Audit? [Sec-65(1)]

- The Commissioner or any other officer authorized by him may undertake Audit
- Through **general or Specific order**
- For Financial year or Multiples thereof [rule 101]

General Order

- on the basis of pre-defined parameters for audit

Special Order

- a particular person may be required to be audited in the context of certain transactions/class of transactions

Audit by Tax Authorities

What is Verified?

- Outward Supply
- Inward Supply
- Availment of Credit
- Payment of tax is made and declared in return
- Other Compliances with the Law

Audit by Tax Authorities

Where to conduct the Audit ? [Sec-65(2)]

- At place of business of Registered Person or
- In their own office

What is period and format of notice?[Sec-65(3) & Rule 101(2)]

- **Not less than 15 days notice** prior to conduct of audit
- In Form **GST ADT- 01**
- Notice to specify period for which audit is to be conducted

Audit by Tax Authorities

What is Time Limit for completion of Audit ? [Sec-65(4)]

- To be completed within 3 months of **commencement of date of audit**
- Extension can be granted by Commissioner
- **For period not exceeding 6 months** (Reasons to be recorded in writing)

What is Commencement of Audit?

- Date on which **records and other documents**, called for by the Tax Authorities
- **Are made available** by the registered person **or**
- Actual institution of audit
- **Whichever is later**

Audit by Tax Authorities

Registered Person to provide necessary assistance [Sec-65(5)]

- To afford necessary facility to verify books/ documents
- Furnishing the information required and
- Rendering assistance for completion of audit.

Audit by Tax Authorities

Intimation of Audit Findings by Proper Officer [sec -65(6 &7)]

- Proper Officer in **Form ADT-02** inform within **30 days of completion** of audit;
 - ✓ Audit Findings & Reasons thereof
 - ✓ Registered Person rights & Obligations
 - ✓ PO may initiate proceedings u/s 73 [determination of tax liability – Normal cases] or 74 [determination of tax liability – Fraud cases] if audit report reveals Tax not paid/ Short paid/ Excess ITC Claimed/ Excess Refund claimed



SPECIAL AUDIT

Special Audit

When it can be ordered? [Sec-66(1) + Rule 102]

- During any stage of scrutiny, enquiry, investigation or any other proceeding
- Officer not below the rank of AC, may if he is of opinion that
 - value declared is not correct or
 - Credit availed is not within normal limit,
- with prior approval of Commissioner
- Issue directions for Audit in **ADT-03**

Who can conduct Special Audit ? [Sec -66(1)]

- Chartered Accountant or Cost Accountant
- As may be **nominated by Commissioner.**

Special Audit

What is the time period for submission of Audit Report? [Sec-66(2) + Rule 102]

- **Within 90 days**
- Chartered Accountant or Cost Accountant required to submit to AC
- Report duly signed and certified
- For sufficient reasons, **extension of another 90 days** allowed on an application by registered person or CA/ CWA
- Findings to be communicated in **Form GST ADT-04**

Special Audit- Key Features

- Can be **Conducted in addition to other Audit**
- Principal of Natural justice to be followed –**Opportunity of being heard**
- **Expenses of Audit** to be determined & paid by Commissioner
- **PO may initiate proceedings u/s 73 or 74** if audit report reveals Tax not paid/ Short paid/ Excess ITC Claimed/ Excess Refund claimed
- **Provisions of Special Audit under GST are broadly similar** to provisions contained in erstwhile Indirect taxation regime [Sec 14A of Central Excise Act and Section 72A of Service Tax]

Penal Provisions (Audit by tax authorities & Special Audit)

Other than fraud, suppression etc. [Sec-73]

- Tax + Interest + Penalty
- **Penalty.**
- Before service of notice and within 30 days of issuance of SCN – Penalty = NIL
- Issuance of Order, penalty = 10% of tax or Rs. 10,000/- whichever is higher

Fraud, suppression etc. [Sec-74]

- Tax + Interest + Penalty
- **Penalty,**
- Before service of notice- **Suo moto** by assessee – Penalty = 15%
- Within 30 days of notice – penalty = 25%
- Within 30 days of order – penalty = 50%



ANNUAL AUDIT

Relevant Legal Provisions – Sec 35(5) + Rule 80(3)

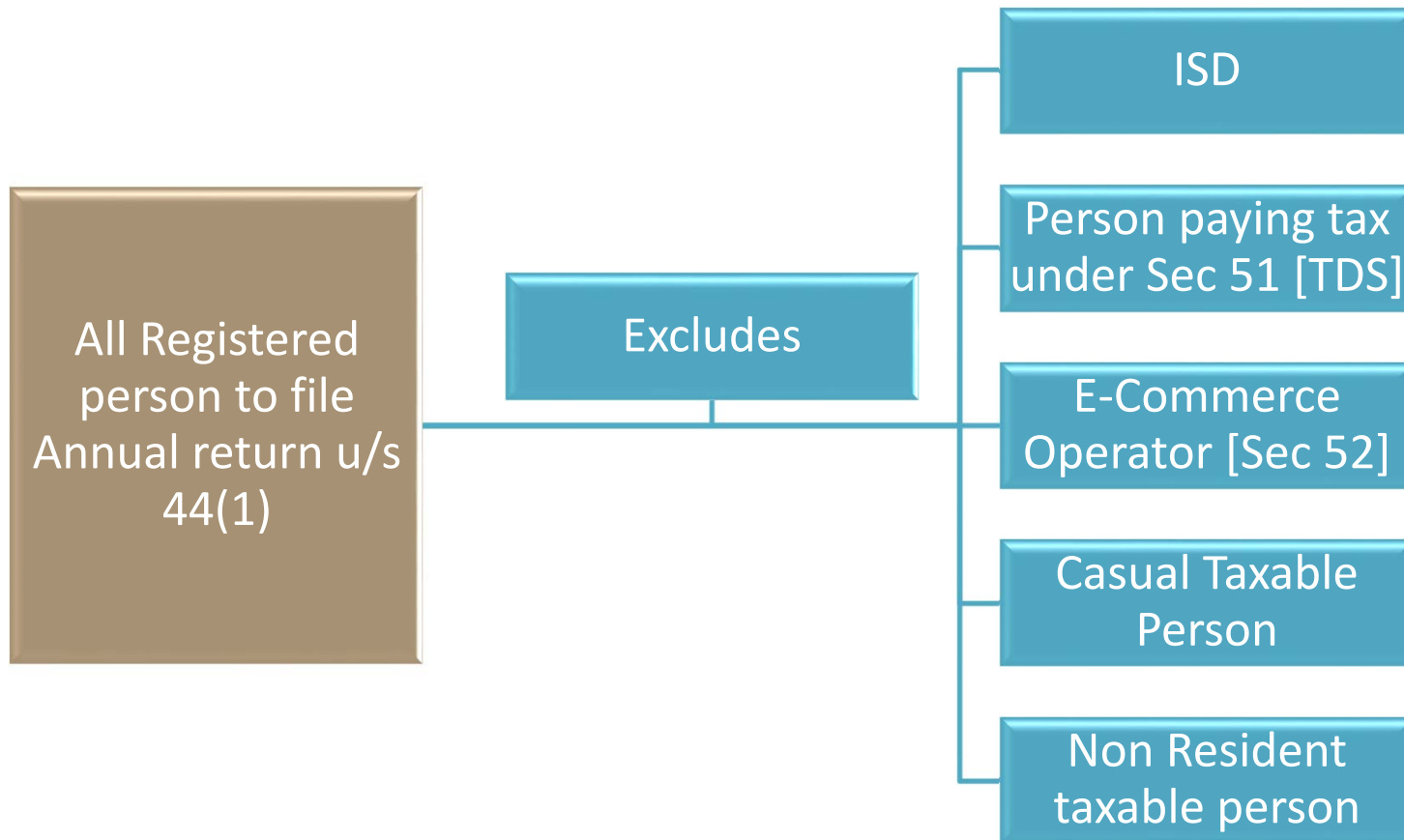
- Every **Registered person**
- whose **aggregate turnover** during a FY exceeds the prescribed limit (INR 2 Crores)
- shall get his accounts audited
- by a CA or ICWA and
- shall submit
 - a copy of the audited annual accounts,
 - the reconciliation statement under Sec 44(2) in **GSTR-9C** and
 - such other documents in such form and manner as may be prescribed

Relevant Legal Provisions – Sec 2(6)

Aggregate Turnover

- “aggregate turnover” means
- the aggregate value of
 - ✓ all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis)
 - ✓ Exempt supplies [**Includes Non Taxable Supplies ?**]
 - ✓ Exports of goods or services or both and
 - ✓ Inter-State supplies [**Inter-State Stock Transfers?**]
- of persons having the same Permanent Account Number
- to be computed on all India basis but
 - ✓ excludes central tax, State tax, Union territory tax, integrated tax and cess;

Person Eligible to file Annual Return



To be Filed on or before the thirty-first day of December following the end of such financial year

Whether Regd Person not Eligible to File Annual Return will be required to get GST Audit u/s 35(5) done ?

Relevant Legal Provisions – Sec 44(2)

- Every Registered person
- who is required to get his accounts audited as per Sec 35(5) shall furnish, electronically
 - **the annual return** as per 44(1)
 - Copy of the **audited annual accounts** and
 - **Reconciliation statement**, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and
 - such other particulars as may be prescribed.

Annual Audit under GST

Annual Audit

Reconciliation Statement – GST
Audit Report [GSTR-9C]

GST Audit Form [GSTR-9D]

No Form Notified till date
Draft Forms made by ICAI send to Govt for approval and
Stakeholder consultation

Annual Audit – Focus Areas

Classification

- Old Rates & New Rates

Input Credit

- Ineligible
- Credit Reversals-CG& Others

Reconciliation

- Books of Accounts & Returns

Valuations

- Deductions Admissible
- Value Enhanced-Differential Taxes

Frequent changes

- Notification/ Circulars in GST to be Monitored

Maintenance of Accounts & Records- Sec 35(1) + Rule 56

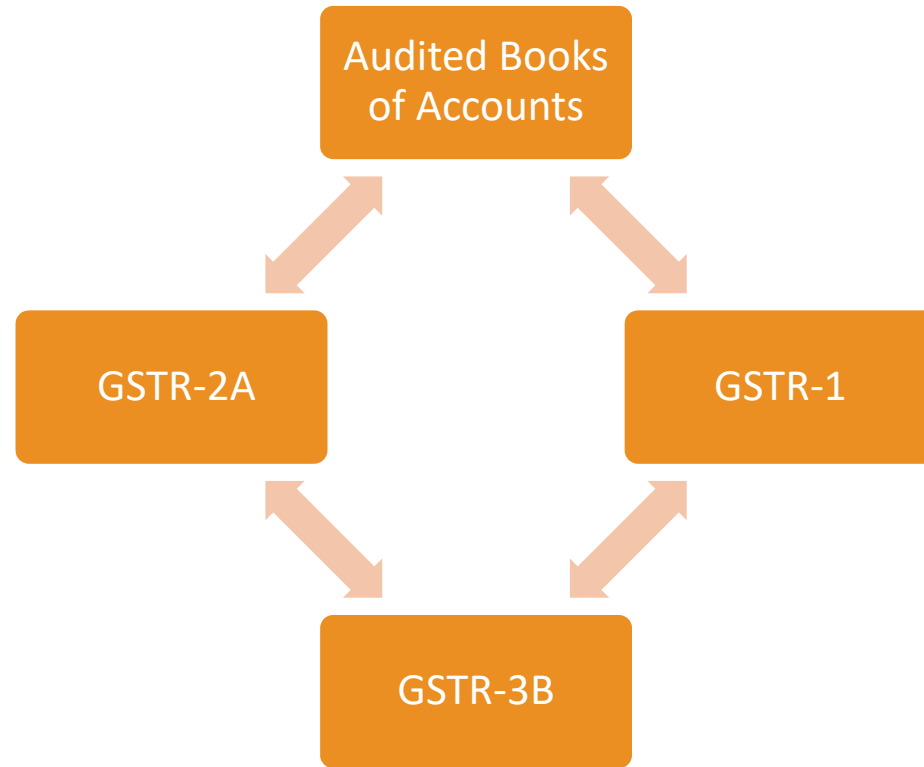
Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

- Production or Manufacture of goods (Quantitative details);
- Provision of Services (Inputs Services & Services Supplied)
- Inward and outward supply of goods or services or both;
- Stock of goods-Particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof
- Input tax credit availed;
- Output tax payable and paid; and
- Goods or services imported or exported
- Supplies attracting RCM along with Relevant documents
- Advance Received & Paid along with Adjustments
- Complete Supplier & Customer Master
- List of all Additional Place of Business & Other Warehouses

Maintenance of Accounts & Records- Sec 35(1) + Rule 56

- All **Books of Account** to be maintained at **Principal place of business** and relevant records at additional places of business
- No entry in registers, accounts and documents to **be erased, effaced** or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation
- Each volume of books of account maintained manually by the registered person shall be **serially numbered**.
- Unless proved otherwise, if **any documents, registers, or any books of account belonging to a registered person are found at any premises** other than those mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.

Reconciliation



- **Reconciliation Statements**
 - Between Monthly Return Vs Annual Return
 - Annual Return Vs Audited Financials
 - Monthly Returns Vs Audited Financials

Match of the Data among Return Filed

S.No.	Description	Point No. in Form - 3B	Point No. in GSTR-1
1	Outward taxable supplies other than zero rated, Nil rated and Exempted	3.1a	4, 5, 7 + 9, 10
2	Zero Rated Supplies	3.1b	6
3	Nil rated and exempted Supplies	3.1c	8
4	Non-GST Outward supplies	3.1e	

Match of the Data among Return Filed

Description	Point No. in Form - 3B	Match with
ITC Available		
- Import of goods	4A(1)	IEC Gate
- Import of Services	4A(2)	3.1d of Form-3B
- Inward Supplies liable to RCM	4A(3)	[Inward supplies liable reverse charge]
- Inward Supplies from ISD	4A(4)	GSTR -2A [ISD]
- All other ITC excluding ineligible	4A(5)	GSTR -2A
Ineligible ITC	4(D)	

Reconciliation of Income with Books

	Total Credits in statement of profit and loss	XXX
Less:	Not Goods / Not Services - Eg. Dividend Income	(XXX)
Less:	Sch III Items which is not a Supply eg : Land & Building etc	(XXX)
Less:	April 2017 - June 2017 Supplies	(XXX)
Less:	Receipts Not in the Course of Business	(XXX)
Add:	Sch I Supplies like Branch Transfer not in books, but supply as per GST Law	XXX
Add:	Receipts capitalized but taxable to GST	XXX
Less :	Profit on Sale of Capital Goods	(XXX)
Add :	Taxable Value of Supply of Capital Goods	XXX
Add:	Advance received during the Current Period [<i>if liable to GST as per TOS</i>]	XXX
Less:	Advance of earlier period adjusted during the Current period	(XXX)
Less:	Closing Unbilled revenue recognised - But Time of Supply did not arise	(XXX)
Add:	Opening unbilled revenue (Billed during the period/Time of supply falls in the month)	XXX
	Total Value in GSTR 1	XXX

Reconciliation of Expenses with Books & GSTR-2A

	Total debits in statement of profit and loss	XXX
Less:	Schedule III items (Ex: Salary expense)	(XXX)
Less:	Depreciation and Amortization	(XXX)
Less:	Accrued expenses and month end provisions, not credited to party account	(XXX)
Add:	Invoices recd and adjusted for Expenses provision made earlier	XXX
Add:	Capital Expenses	XXX
Add:	Advance paid to unregistered dealers -Expenses Not Booked	XXX
Less:	Purchases booked for URD Advances paid in earlier periods	(XXX)
	Total Taxable value in GSTR 2	XXX

Reconciliation - Miscellaneous

- **Taxes**
 - Tax Payable, Tax Paid, Interest, Late penalty etc
- **Refunds**
 - Claimed, Sanctioned, Rejected , Under Process
- **Ineligible ITC**
- **Calculation of ITC Reversal**
 - on account of Exempted/ Non Business
- **Transactions with Related entities/ Distinct person**

Auditor's Reconciliation statement

Sl. No.	Particulars	Amount as per Returns(in Rs.)	Amount as per Audit (in Rs)	Difference (in Rs.)
1	2	3	4	5
[A]	Output tax payable (including interest, fee, penalty and other levies) under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[B]	Input Tax Credit eligible claimed under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			

Auditor's Reconciliation statement

Sl. No.	Particulars	Amount as per Returns(in Rs.)	Amount as per Audit (in Rs)	Difference (in Rs.)
1	2	3	4	5
[C]	Input Tax Credit ineligible disclosed under the GST Acts-			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[D]	Net tax payable under the GST Acts -			
	(a) CGST Act			
	(b) SGST/ UTGST Act			
	(c) IGST Act			
	(d) GST Compensation Cess Act			
[E]	Any Other Item (Plz Specify)			

Auditor's Attention required

- Engagement Letter with the Auditee
- Representation Letter with the Management
- Recent Updates in Audit
- Proper Staff with Technical Competence
- Continuous Evaluation of Knowledge
- Proper Software
- Discussion on various issues and conclusions thereof.

Points to Ponder

- Whether Annual Return and Reconciliation / audit report to be filed electronically?
- **Month-wise GST returns summary** from GST Portal?
- Whether persons not required to file annual return would be required to GST Audit?
- Turnover for Financial Year Vs Proportionate Turnover for 9 months
- Turnover u/s 35(5) Vs Aggregate Turnover u/r 80



For Any Further Query on the Subject , Kindly contact us at:

CA Chitresh Gupta

Team GST Experts

Corporate Office: LGF-CS-24B, Ansal Plaza, Vaishali, Ghaziabad

Head Office: U -119A, Shakarpur, Delhi -110092

Branch Office: C -11, Shop No. 1, Dilshad Colony, Delhi-110095

Reach us : 0120-4121942,09910367918,09910009056

Website: www.gstexperts.net

Email id: chitresh.gupta@fiducia.co.in,