

Vapi Branch of WIRC of ICAI
RRC at Treat Resort, Silvassa 4th August, 2018

GST Audit

-CA Punit Prajapati

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1. Types of Audit under GST

- a. Turnover based audit Section 35(5)
- b. Departmental Audit – Section 65
- c. Special Audit – Section 66
- d. CAG Audit

Note: Discussion is limited to Audit under Section 35(5).

2. Important Aspects to be covered in discussion

- a. Some Basic Fundamentals for GST Audit
- b. Provisions of GST Law related to Audit
- c. Draft Audit Report suggested by ICAI
- d. Who is required to get his accounts audited?
- e. Important aspects to be covered during the audit
- f. Effects on Financial Statements
- g. Effects on other non-GST Audit Reports
- h. Reconciliation of Records, Financial Statement and GST Returns
- i. Other Issues

3. Draft Audit Report Suggested by ICAI to Central Government

- a. Form 9C & Form 9D (Attached herewith)
- b. Two Drafts for Form 9D
 - i. Version 1 for small assessee (Turnover of Rs. 10 Cr.)
 - ii. Version 2 for others
- c. Exhaustive Report with 28/32 Annexures
- d. Some debatable items to be certified
 - i. Valuation
 - ii. Classification
 - iii. Eligibility of Credit
 - iv. Availability of Exemptions
 - v. Barter/Exchange
 - vi. Composition of Mixed Supply
 - vii. Exemption Not Claimed
 - viii. Place of Supply
 - ix. Eligibility of Refund

4. List of Items Effecting Reconciliation of GST Returns and Financial Statements

(may have positive & negative both effect)

- 1) Advances
- 2) Turnover of entity in other States
- 3) Inter-State-Branch Transfer
- 4) Non Taxable Supply
- 5) Exempt/Nil Rated/Zero Rated Supply
- 6) Interest on Loan, Advance and Deposits
- 7) Capital Asset Sale
- 8) Non Pure Agent Reimbursement
- 9) Post Supply Discounts
- 10) Abatements (like 33% for land in Construction)
- 11) Barter/Exchange etc.
- 12) Free Supply to Related Parties
- 13) Additional Taxable Value for Supply to Related Party
- 14) Supplies made through agents
- 15) Disposal of Capital Assets
- 16) Disposal of stock
- 17) Time of Supply Related Differences, for example
 1. Banakhat in Construction
 2. Continues Supply of Goods/Services
 3. Sale on Approval
- 18) Unbilled Revenue
- 19) Revenue Taxable but not declared in returns
- 20) Revenue not taxable but declared in returns
- 21) Income on which Tax is payable under RCM
- 22) Sales Return (without GST Credit Notes)
- 23) Sales Return (with GST Credit Notes)
- 24) Income Booked According to Accounting Standards but not Taxable (like Forex Fluctuation)
- 25) Sales under conditional exemption Notification and condition violated (like 0.1%, LuT)
- 26) Sales with Inclusive of Taxes
- 27) April 2017 to June 2017 Transactions
- 28) Expenses recovered and directly credited to expenses accounts
- 29) Pre Delivery expenses charged/recovered separately (like freight/insurance/packing)
- 30) Missed to be disclosed in Current year GSTR 3B but Reflected in next year GSTR 3B in accordance with circulars/law.

IMPORTANT PROVISIONS OF LAW

5. Section 2 of the CGST Act, 2017

(13) "audit" means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force **to verify the correctness** of turnover declared, taxes paid, refund claimed and input tax credit availed, and **to assess his compliance** with the provisions of this Act or the rules made thereunder;

6. **35. Accounts and other records.** —

(1) 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 —

- (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 :

Provided that 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 :

Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.

- (2)
- (3)
- (4)

(5) 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

7. **39. Furnishing of returns. —**

(1)

(2)

..(8)

(9) Subject to the provisions of sections 37 and 38, if any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, subject to payment of interest under this Act :

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.

8. **44. Annual return. —**

(1).....

(2) Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a 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.

9. **RULE 80. Annual return. —**

(1)

(2).....

(3) Every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a **reconciliation statement**, duly certified, in **FORM GSTR-9C**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Annexure 1 Draft Report Suggested By ICAI

Form GSTR 9C

GST Audit Report

[See Section 35(5) and 44(2) of the CGST Act, 2017 and Rule 80 (3) of the CGST Rules 2017 read with corresponding provisions relevant State GST, UTGST and IGST Laws]

1. I/We report that the audit for the period ended of(Name and Address of the registered person) having GSTIN was conducted by me / us M/s.
(Name and address of Chartered Accountants / Cost Accountant) under Section 35 (5) and Section 44 (2) of the Central / State (Name the State or Union Territory) Goods and Services Tax Act, 2017 read with Rule 80 of the Central / State (Name the State or Union Territory) Goods and Services Tax Rules, 2017.
2. Maintenance of the books of account, records under the GST laws and the financial statements are the responsibility of the registered person. My / Our responsibility is to express a view on the correctness, completeness and accuracy of the returns filed by the registered person based on my / our audit conducted in accordance with the provisions of Section 35 (5) and Section 44 (2) of the Central / State (Name the State or Union Territory) Goods and Services Tax Act, 2017.
3. I / We have conducted our audit in accordance with the Standards on Auditing (SA) generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the said accounts, records and statements are free of material misstatement. The audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in this audit report. I / We believe that my / our audit provides a reasonable basis for my / our opinion.
4. The financial statements of the registered person for the period ended have been audited by M/s..... (Name / Firm name of the Auditors), Chartered Accountants, which have been relied upon by me/us for the purposes of my/our audit.
5. The following comments are subject to my / our observations and comments about non-compliance, short comings and deficiencies in the returns filed by the registered person, as given in the attached Form GSTR-9D read together with the relevant annexures and appendices of even date:
 - (a) I / we have obtained all the information and explanations, which to the best of my / our knowledge and belief, are necessary for the purposes of audit, including computation of tax liability under the GST Laws.
 - (b) For the purposes of this audit, I / we have verified the relevant returns and statements under the GST Laws;

- (c) the books of account and other related records and registers maintained by the registered person are sufficient for the verification of the correctness, completeness and accuracy of the returns filed for the year;
- (d) the annual return filed by the registered person reflects a true and correct state of affairs of all the transactions effected during the year that need to be reported;
- (e) the aggregate of outward supplies declared in the returns for the year include all the outward supplies effected during the year;
- (f) the aggregate of inward supplies declared in the returns for the year include all the inwards supplies effected during the year;
- (g) the transactions included / excluded from the value of supply are in accordance with the provisions of the law;**
- (h) the adjustments to the outward supplies and taxes are based on the entries made in the books of account maintained for the year;
- (i) the adjustments to the inward supplies and taxes are based on the entries made in the books of account maintained for the year;
- (j) the exemptions and abatements claimed in the annual return are in conformity with the provisions of the law;**
- (k) the amount of credits determined as ineligible in accordance with the provisions of the law have been dealt appropriately in the return during the year;**
- (l) the classification of outward supplies, rate of tax applicable and computation of output tax (including that of inward supplies liable to tax on reverse charge basis) re in conformity with the GST;**
- (m) the amount of input tax paid on inward supplies and deductions of input tax credit claimed are in conformity with the provisions of law;**
- (n) other information given in the relevant Form 9D and annexures there to are correct and complete.

6. Summary of the additional tax liability or additional payment as determined by the auditor for the year are as follows:

Sl. No.	Particulars	Amount as per annual return (in Rs.)	Correct amount determined in audit as per accounts (in Rs.)	Difference (in Rs.)	Annexures
(1)	(2)	(3)	(4)	(5)	(6)
1	Net outward supplies of goods and services after considering the return of such supplies in respect of which output tax is payable (specify separately Zero rated supplies and exports on which IGST is paid)				A
2	Output tax payable (specify separately interest, fee, penalty and other levies) on the above mentioned outward supplies under the GST Acts- (a) CGST Act (b) SGST/ UTGST Act (c) IGST Act (d) GST Compensation Cess Act				B
3	Net inward supplies of goods and services on which input tax credit has been taken after considering the return of such supplies (including reverse charge inward supplies)				C
4	Input tax credits (including tax paid on reverse charge inward supplies as per the GST Acts (a) CGST Act (b) SGST/ UTGST Act (c) IGST Act (d) GST Compensation Cess Act				D
5	Net Input Tax Credit claimed on all the above mentioned inward supplies (including reverse charge inward supplies) under the GST Acts after considering all the reversals, reductions and reclamations of input tax credit - (a) CGST Act (b) SGST/ UTGST Act (c) IGST Act				E

	(d) GST Compensation Cess Act				
6	Refund claimed under the GST Acts- (a) CGST Act (b) SGST/ UTGST Act (c) IGST Act (d) GST Compensation Cess Act				F
7	Other net outward supplies of goods and services on which no output tax is payable after considering the return of the said supplies (exempt, nil rated, non-taxable, outward reverse charge supplies, etc.)				G
8	Other net inward supplies (including reverse charge inward supplies) of goods and services on which no input tax credit has been taken after considering the return of the said supplies (supplies on which input tax credit is ineligible, exempt, nil rated, non-taxable supplies etc.)				H
9	Any other item (specify)				

7. The registered person has been advised to*

- (i) Pay differential tax liability of Rs..... with interest of Rs..... and penalty of Rs.....
- (ii) Reverse Input Tax Credit of Rs..... in the return(s) of.....
- (iii) Claim refund of Rs.....

* (Note: Strike out whichever is not applicable)

..... Signature Portion.....

Note: For Annexures please refer draft suggested by ICAI

GST FORM GSTR – 9D			
[See rule 80]			
Statement of particulars required to be furnished for the year ended March 31, 20.. under section 35(5) and 44(2) of the CGST Act, 2017 read with corresponding provisions under the relevant State GST, UTGST and IGST Laws			
PART - A			
I	Background of the registered person:		
	1	GSTIN of the registered person	*
	2	Legal name of Business	*
	3	Trade name of Business	*
	4	e-mail address & Contact No. of the registered person	*
	5	PAN	*
	6	IEC Number	*
	7	CIN (if Company), LLIP (if LLP) or Firm Registration No. (with registrar of Firms, if registered); any other – viz. Trust, AOP, etc.	*
	8	List the registrations under other Indirect Tax Laws – Central Excise, Service Tax, Value Added Tax and other State Commercial Tax laws	*
II	GST Profile of the registered person:		
	1	Centre/State Jurisdiction with range	*
	2	Date of Registration	*
	3	Whether the registered person has obtained a new registration under the GST laws or migrated from the earlier laws	*
	4	Constitution of Business – <i>Proprietor, Partnership Firm, LLP, Company etc.</i>	*
	5	Category of the registered person – <i>Regular / SEZ</i>	*
	6	Nature of Business – <i>Works Contractor, Trader, Manufacturer, Job-worker etc.</i>	*
	7	Top 10 goods / services supplied (if lower than 10, state all) – To be provided along with classification including HSN details	*
	8	Name, e-mail address & contact no. of the Primary Authorised Signatory/s	*
III	Registration and Place of Business (under the same PAN):		
	1	Principal Place of Business	*

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GST FORM GSTR – 9D			
2	Details of any addition/deletion in the additional place of business within the State which have not been made in the registration certificate?	*	
3	Whether any registration as casual taxable person has been taken? If yes provide details thereof		
4	GSTIN, Name and Principal Place of Business of:		
a	Business verticals, if any (including SEZ)		
b	ISD registration, if any		
5	Place of Business (outside India)		
6	Date of cancellation of registration (if any)	*	
IV General Information:			
1	Name and version of accounting software used (if electronic records are being maintained, based on Management information)		
2	List of books of accounts / registers maintained		
3	List of books of accounts / registers examined		
4	Method of accounting employed for the year under audit.		
5	Method of valuation of closing stock		
6	Whether tax audit under Section 44AB of the Income Tax Act, 1961 is applicable to the registered person? If yes, whether the relevant report / returns are filed?		
7	Is the registered person a supplier / e-commerce operator covered under Section 9(5) of the CGST Act, 2017?		
8	Whether cost audit report under Section 148 of the Companies Act, 2013 is applicable to the registered person? If yes, whether the effect of such report has been considered?		
V Changes during the year (if any)			
1	Details of change in the nature of business during the year		
2	Details of change in the constitution of the registration person during the year – <i>LLP to Company, Proprietor to Partnership, etc.</i>		
3	Changes in the business structure on account of sale, merger, demerger, amalgamation, lease or transfer of the business		
4	Change in the partners, members, etc. of the registered person		
5	Changes in the scheme of payment and their effective dates (Composition to Normal and Vice versa)		

GST FORM GSTR – 9D			
PART – B			
I	Levy & Collection of tax		
	1	Whether the following supplies effected by the registered person have been considered in returns (if any)?	Annexure 1
	a	Sale	
	b	Transfer	
	c	Barter	
	d	Exchange	
	e	License	
	f	Rental	
	g	Lease	
	h	Disposal (including disposal of business asset as per Schedule I)	
	i	Other services	
	j	Any other supplies (please specify)	
	2	Whether non-taxable supplies have been reported in the return?	Annexure 2
X	3	Whether it is ensured that transactions of the following natures have not been reported in the return? a) Transactions covered under Schedule III of the Act b) Transactions not covered by definition of supplies	Annexure 3
	3	Whether the tax liability for composite and mixed supply has been determined in accordance with Section 8 of the CGST Act, 2017? If no, specify reasons / instances.	Annexure 4
	4	Details of inward supply of notified goods/services liable to tax under reverse charge mechanism u/s 9(3) of the CGST Act, read with Section 5(3) of the IGST Act, on which tax has not been remitted.	Annexure 5
	5	Details of inward supply of taxable goods/services effected from unregistered persons liable to tax under reverse charge mechanism u/s 9(4) of the CGST Act, read with Section 5(4) of the IGST Act, on which tax has not been remitted.	Annexure 5

GST FORM GSTR – 9D			
	6	<p>a) Whether any exemption notifications or special orders under the Act are applicable to the registered person? Provide summary of such supplies</p> <p>b) Specify cases of non-compliance with the attached conditions.</p> <p>c) Provide instances where the registered person, despite being eligible to avail the benefit of any exemptions, has failed to claim the same</p>	Annexure 6
		d) Whether classification of outward supplies / inward supplies liable to tax under reverse charge mechanism is in accordance with Schedules / Notifications / Circulars, etc. If not, provide details? Disclose the details where the Supplier has offered the tax instead of the recipient.	
	7	<p>Whether the registered person availing option to supply for export without payment of integrated tax has paid the tax along with interest on failure to:</p> <p style="padding-left: 40px;">a) Export goods within 3 months (or a further period allowed by the Commissioner) from the date of issue of invoice</p> <p style="padding-left: 40px;">b) Receive payment in convertible foreign exchange within 1 year (or a further period allowed by the Commissioner) from the date of issue of invoice</p> <p>If not, please indicate the amount of tax payable along with the taxable value</p>	
X	8	Whether e-waybills are applicable in case of movement of goods caused by the registered person during the period under audit? If yes, whether all the movements have been made using proper e-waybills?	
	9	Whether any goods have been subject matter of detention/seizure or confiscation as per Section 129 and 130 of the CGST Act 2017 on which any tax, interest or penalty has been determined as payable as per the order of the proper officer? If yes, whether the said liability has been discharged?	
II	Time of supply (verification of compliance with Section 12, 13 and 14 of the Act)		
	1	Specify instances where tax has not been paid in accordance with Section 12 / 13 read with Section 31 of the CGST Act, 2017	Annexure 7

GST FORM GSTR – 9D			
	2	Whether there was a change in rate of tax on the goods or services or both supplied during the year? Provide details where the effect of the change has not been provided same in all cases.	Annexure 8
	3	Details of supply of services where the supply ceased prior to completion, and no tax has been discharged thereon.	Annexure 9
	4	Details of supply of goods on ‘sale on approval basis’ exceeding the time limit of 6 months and not offered to tax.	Annexure 10
III Place of supply			
	1	Specify instances where the registered person has not determined the place of supply in terms of Section 10 – 13 of the IGST Act, 2017.	Annexure 11
	2	Basis of identification of location of recipient, in case of supply of services if Place of Supply determined u/s 12(2) or 13(2) of the IGST Act, 2017	
IV Value of supply			
	1	a) Details of all transactions of outward supplies (or inward supplies liable to RCM) where the transaction value is not acceptable under Section 15 and value of supply is incorrectly determined under Rule 27 – 31 of the CGST Rules	Annexure 12
X		b) Details of transactions of outward supplies (or inward supplies liable to RCM) where the value of supply was reflected as transaction value in the monthly / annual returns, whereas the value should have been determined under Rule 27 – 31 of the valuation rules?	Annexure 13
	2	Whether registered person has correctly determined the value of supply based on inclusions listed u/s 15(2)?	Annexure 14
	3	Provide details of discounts adjusted in contravention of the provisions of Section 15(3)	Annexure 15
X	4	Details of outward supplies effected by the registered person where the value of supply has been determined in contravention of the provisions under Rule 31A / 32 of the CGST Rules, 2017	Annexure 16

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GST FORM GSTR – 9D			
x	5	Whether the rate of exchange for determining the value of imports / exports of goods*/ services are considered in accordance with Rule 34 of the CGST Rules, 2017?	
	6	Whether the registered person has reversed any output tax liability on account of bad debts?	
	7	Has the supplier contravened the provisions of pure agent as per Rule 33 of CGST Rules, 2017?	Annexure 17
V	Input Tax Credit		
	A	General	
	1	Details of ineligible input tax credit in respect of inward supplies of inputs, input services and capital goods availed during the year (disclose supplies from related persons and distinct persons including business verticals separately)	Annexure 18
	2	Whether the records maintained by the registered person facilitate verification as to whether the goods / services had been received before the end of the month for which credit is availed?	
X	3	Whether re-claim of tax credit taken without full /part payment to supplier?	Annexure 19 (Part A)
X	4	Details of transactions where the credit has not been reversed ^{i*} along with interest u/s 16(2) of the Act read with Rule 37 of the Rules, on account of non-payment of consideration & tax	Annexure 19 (Part B)
	5	Whether apportionment of credit has been effected in terms of section 17(2) of CGST Act, 2017 read with Rule 42/43 of CGST Rules, 2017	Annexure 20
	6	Whether in case of Banking / Financial/ NBFC, credit have been availed in contravention of section 17(4) of the Act?	
	7	Whether on 1 st July, 2017 transition credits have been availed in contravention of Section 139 to 142 of the Act	
	8	Whether all the certificate(s) required under the section 18, has / have been obtained?	
	B	Job work	
	1	Where registered person is the principal, whether tax has been discharged by him in accordance with Section 143 read with Rule 45? Specify instances where the tax has not been paid even though	Annexure 21

GST FORM GSTR – 9D				
		the goods are not received back by the principal/supplied from job worker's premises within the prescribed time limit.		
VI	Returns			
	1	Whether all the applicable returns / forms have been filed within the due dates?	*	Annexure 22
VII	Payments			
	1	Whether there are any mismatches between the electronic cash ledger and electronic credit ledger viz a vis records /books of accounts?		
	2	Whether any interest is payable on delayed payment of taxes and the same has been remitted?		Annexure 23
	3	List the instances where tax has been collected by the registered persons and has not been deposited with the Government		Annexure 24
	4	Whether the provisions of TDS and TCS are applicable to the registered person during the period covered under audit? If yes, whether these provisions have been adequately complied with?		
VIII	Refunds			
	1	Where the registered person is eligible for refund under Section 54 of the Act, specify under which cases refund has been claimed? Whether the registered person has claimed any transition credit as well as refunds under the erstwhile laws.		
IX	Documentation			
	1	Whether the registered person has issued the following documents in accordance with the act and rules framed thereunder:		
	A	Tax invoice u/s 31 and u/r 46 and Invoice cum bill of supply u/r 46A		
	B	Tax invoice on inward supplies from unregistered persons u/s 31 and u/r 46		
	C	Bill of Supply u/s 31 and u/r 49		
	D	Receipt voucher u/s 31 and u/r 50		
	E	Refund voucher u/s 31 and u/r 51		
	F	Payment voucher u/s 31 and u/r 52		
	G	Revised tax invoice, Credit Note and debit note u/s 34 and u/r 53		
	H	Delivery challan u/r 55		

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GST FORM GSTR – 9D			
X	Advance ruling		
X	1	Whether the registered person has given any affect to advance ruling order?	
X	2	Whether the order of Advance ruling authority is proposed to be followed in the subsequent years? If not, please indicate the deviation.	
XI	Adjudication, appeals and revision		
X	1	Whether there is any show cause notice issued by the appropriate adjudicating authority pending against the registered person? If yes, please provide details.	
X	2	Whether there is any overdue demand in respect of any adjudication/appellate order passed against which no further appeal has been filed? If yes, please provide details.	
XII	Ratios: Provide the following ratios for current year and previous year		
	A	Gross Profit to turnover in State	
	B	Net Profit to turnover in State	
	C	Cash payment of Taxes / Total Payment of Taxes	
	D	Related party turnover / Total Turnover	
	F	Output Tax paid to Outward Taxable supplies	
	G	Output tax as per return/Total tax liability as determined under audit	
	H	Inward supply from unregistered persons to Net Inward Supplies	
XIII	Any other issues considered to be relevant for the purpose of Audit to be given by way of a separate annexure to this report		

The information furnished in this Form is true and correct.

For Annexures, refer draft issued by ICAI