

**SEMINAR ON GST RETURN  
and  
GST AUDIT  
for CA Students  
by  
WIRC**

CA SANJAY V.GAJRA

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# WALK THROUGH GST AUDITS

Topic to cover the following :-

- a) **Different kinds of Audit under GST**
- b) **Turnover Criteria under GST for audit**
- c) **Documents to be submitted along with audit report**
- d) **Check points for GST Audit**

# WALK THROUGH GST AUDITS

## What is AUDIT ?

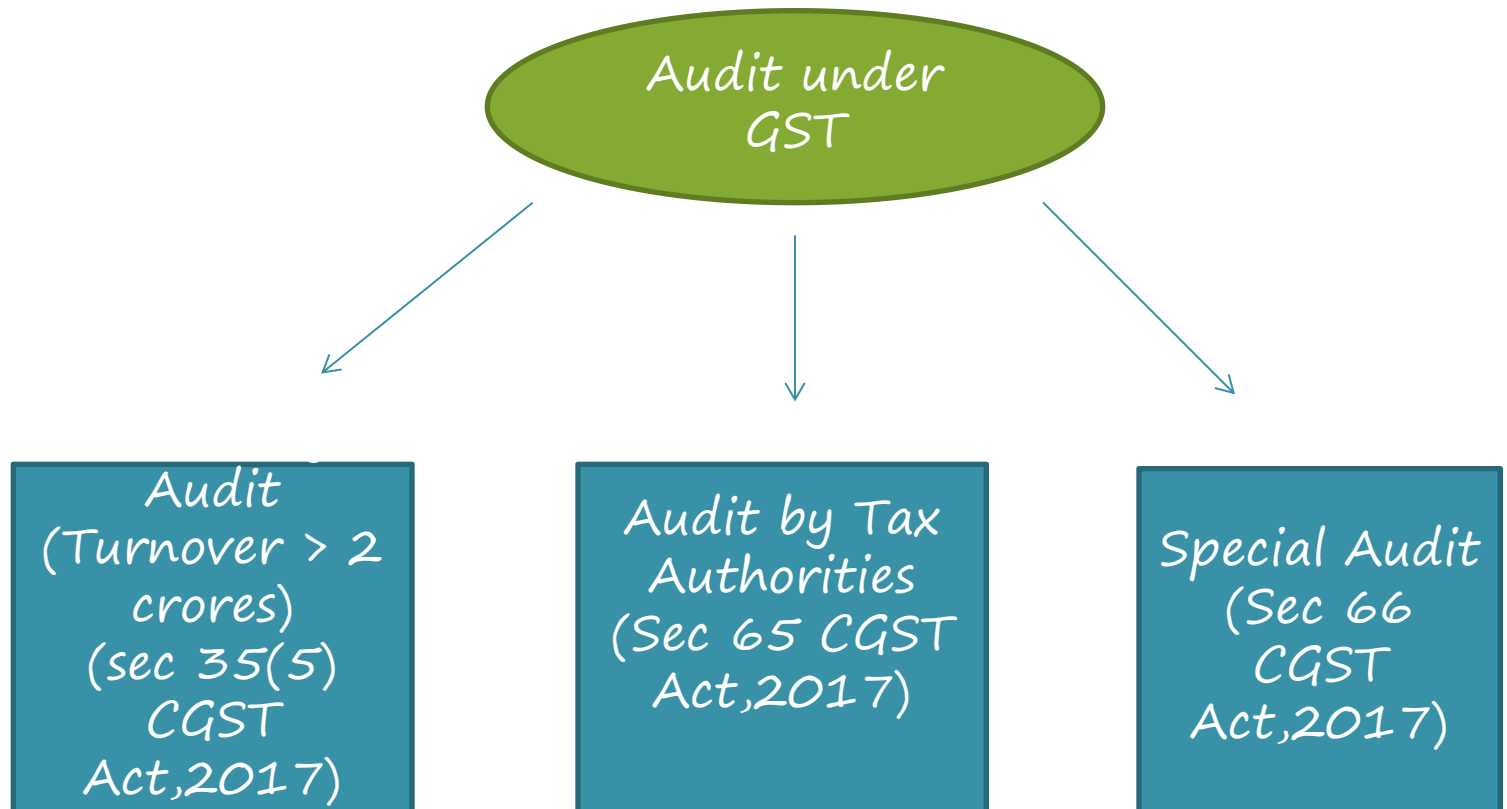
Audit under GST is the process of examination of records, returns and other documents maintained or furnished by the registered person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST Act or Rules.(Sec 2(13) of CGST Act).

# WALK THROUGH GST AUDITS

*Different kinds of audit under GST*

- 1. Audit by Tax Authorities*
- 2. Statutory Audit*

# WALK THROUGH GST AUDITS



# WALK THROUGH GST AUDITS

1. Audit by Tax Authorities ( Sec 65 of CGST Act)
  - Any officer authorized by the Commissioner or the Commissioner himself may under take audit of
  - Any registered person
  - For such period
  - At such frequency
  - In manner as prescribed
  - At the place of business or in their office
  - Minimum 15 working days notice to be issued to the registered person prior to conduct of audit.



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- Time limit for completion of the said audit is within 3 months from the date of commencement of audit. Commencement of audit means the date on which the records are made available by the registered person or the actual audit at the place of business whichever is later.
- Extension of the audit period by a further period of not more than 6 months, for reasons recorded in writing and subject to satisfaction of the Commissioner.

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- Within 30 days After completion of audit , the proper officer has to inform the registered person about the findings, rights and obligations and reasons of findings.
- The proper officer may initiate action under Section 73 or Section 74 towards recovery of amount not paid or short paid or erroneously refunded or ITC wrongly availed or utilized based on the findings of the audit.



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- **Special Audit :- ( Sec 66 of CGST Act )**
- This audit is carried out on the direction of any officer who is either an Assistant Commissioner or above rank , who during any stage of scrutiny, inquiry , investigation or any other proceeding , is of the opinion that value declared is not correct or the credit availed is not within the limit etc.
- The said audit is also to be carried out by either a Chartered Accountant or a Cost Accountant which may be nominated by Commissioner.
- Period of submitting the said audit report is within 90 days to the Assisstant Commissioner.
- The period can further be extended for a further period of 90 days.

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- This special audit is to be carried out even if the accounts are audited under any other provisions of the act or any other law being in force.
- The expenses and remuneration of such CA or cost accountant will be determined and paid by the Commissioner.
- The proper officer may initiate action under Section 73 or Section 74 towards recovery of amount not paid or short paid or erroneously refunded or ITC wrongly availed or utilized based on the findings of the audit.

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## Statutory Audit : Section 35(5) of CGST Act

- In order to understand the GST audit and its requirement, we have to understand the important provisions – Section 35(5) and Section 44(2) of the CGST Act.
- **Section 35 (5) of CGST Act - 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 Accounts 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.**



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- **Section 44(2) of CGST Act –**
- 44 (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.
- **Rule 80(3) of CGST Rules –**
- 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

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- **Turnover Criteria under GST Audit**
- Section 35(5) of CGST Act , commences with the expression “every registered person whose **turnover** during a financial year exceeds the prescribed limit” whereas the relevant Rule 80(3) of CGST Rules uses the expression “every registered person whose **aggregate turnover** during a financial year exceeds two crore rupees”. It must be noted that the word turnover has not been defined whereas the expressions aggregate turnover has been defined( Sec 2(6) of CGST Act). One may note that the expression turnover in State or turnover in Union territory is defined. In this backdrop the following understanding is relevant:
  - Aggregate turnover is PAN based while turnover in a State / UT is similarly worded except to the extent that turnover in a State / UT is limited to a State;
  - b) It is therefore, reasonable to interpret that the word turnover used in section 35(5) ought to be understood as aggregate turnover (PAN level).
  - c) For the financial year 2017-18, the GST period comprises of 9 months whereas the relevant section 35(5) uses the expression financial year;



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- Therefore, in the absence of clarification from Government and to avoid any cases of default, it is reasonable to reckon the turnover limits prescribed for audit i.e., Rs. 2 crores for the whole of the financial year which would also include the first quarter of the financial year 2017-18.
- While determining Turnover we should not only consider the turnover as per audited financial statements but also to consider the inter branch transactions, which normally is not considered as turnover.
- It is also to note that in case there is GST audit in one branch of the Registered person then he has to get his accounts audited for all branches/place of business having separate GST registration even though the aggregate turnover will be less than Rs.2 crores. As the aggregate turnover is PAN based.



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- Consider also the supply of goods or services or both between the distinct persons when made in furtherance of business. However supply made with branch within same state having same GSTIN is not to be considered.
- In case any gift in value exceeding Rs.50,000/- in a financial year to an employee is also considered as a supply and shall be considered for Turnover.
- In case supply of goods by Principal to his agent or vice versa shall be considered for the turnover.
- In case of audit of Petrol pump or hotelier serving liquor, the turnover of sale of diesel, petrol / liquor as applicable should be considered?????

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## Documents to be submitted along with Audit Report –

As per Sec 44(2) of CGST Act-

1. Furnish Annual return electronically (GSTR -9)
2. Copy of audited Annual accounts
3. Reconciliation statement of supplies declared in the return furnished with the audited financial statement (GSTR- 9C)

Due dates for-

Annual Return for Fy 17-18 - 30-6-2019

GST Audit report for FY 17-18 – 30-6-2019

# WALK THROUGH GST AUDITS

## Check point for Statutory GST Audit –

- Following suggested Check points are to be considered for carrying out the GST audit.

### 1.GST Registration –

- Confirm whether it was new registration under GST or the migrated one ?
- Check about the business verticals, warehouses/ godowns etc i.e other place of business.
- Also have a list of “related persons” as per the explanation given in Section 15 of the CGST Act as it will be helpful while determining the value of such supply made to related persons.
- Display of GSTIN in Name Board – if not there then inform about the same to the dealer else penalty is leviable.

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## 2. Invoices –

- Check Whether invoices are issued as per provisions of GST Law and contains all the relevant particulars as required under law.
- Check that the Tax invoices for supply of services are issued within 30 days from date of supply of services.
- In case of advances received , whether receipt vouchers were issued ?
- Where any advance received is refunded back then whether the refund voucher is issued ?
- In case of RCM u/s 9 of CGST Act,2017 whether self invoices were made ?
- Issue of Debit notes and Credit notes as per law and the time within which the same are issued? i.e before 30<sup>th</sup> September of the subsequent financial year.
- Series of documents issued as mentioned in GSTR -1 matches with books of accounts or not
- Also check that whether delivery challans/ E –way bill register is maintained or not ?
- Others if any.

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## 3. Goods sent to Job Work

- Check that the conditions for claiming input tax credit on goods sent for jobwork are fulfilled.
- Verify the delivery challans on which the goods are sent for job work
- Verify the records with Form ITC 04 filed by the dealer. However the date for filing the ITC -04 for the period from 1-7-2017 to 31-3-2019 is extended upto 30<sup>th</sup> June,2019.
- Cross check that in cases where goods are directly supplied from the place of job worker , the said job worker is registered or his place is registered as additional place of business of the principal .



# WALK THROUGH GST AUDITS

## 3. Goods sent to Job Work

- Also check that whether the GST is being paid by the registered person ,on the scrap sold by the unregistered job worker.
- Over all check the time limit within which the goods are being returned by the job worker .If not returned in specified time then whether the tax is discharged on the same or not ?
- In case of any capital goods are sent to job worker , then check to it that they are return back by job worker within 3 years.
- Refer Sec 143 of CGST Act,2017 for job work procedure.



# WALK THROUGH GST AUDITS

## 4. SUPPLY

- Check the classification of outward supplies into Taxable supply, Exempted supply, Zero-rated supply- which means export of goods or services or both or Supplies to SEZ unit/developer, Nil rated supply,, Non GST Supply etc.
- Transactions which falls within the scope of supply are identified by the registered dealer or not.
- Classification of supply as inter state or intra state based on the place of supply of goods and for services as per section 12 or Section 13 of the IGST Act , as applicable.
- In case the supplies are zero rated then to check whether made with payment of IGST or without payment of IGST.Check whether LUT is submitted in case of without payment of IGST.
- Also in case of export of services to check that all the conditions are fulfilled to consider it as Export of services.
- Also to verify that a particular supply is a composite supply or mixed supply.Tax on the same is also discharged accordingly.

# WALK THROUGH GST AUDITS

- Beside the regular business supplies we have to check whether there is sale of any capital goods and if yes then whether the same are being reflected in the returns filed by the registered dealer.
- In case of builders/developers we have to check that whether the abatement is being considered in valuation i.e 1/3<sup>rd</sup> deduction towards land value is considered and then on the same the rate as applicable is levied .
- In case of goods sent for job work which were not received back from the job worker ,in the specified time ,whether the said is considered as supply and taxed accordingly.
- Others

# WALK THROUGH GST AUDITS

## 5. TIME OF SUPPLY

- Time of supply relates to the time when the liability to pay tax shall arise in case of supply of goods and in case of supply of services.
- First to check out whether the provisions of time of supply have been complied or not ?
- In case there is any change in rate of tax in respect of goods or services, then whether the time of supply is considered as per Sec 14 of the CGST Act i.e where the goods or services or both have been supplied before the change in rate of tax or after the change in rate of tax ? So accordingly the time of supply is to be determined.

# WALK THROUGH GST AUDITS

- In case of Reverse Charge, whether the time of supply is determined accordingly.
- Whereas the goods which are sent on approval , time of supply is complied with in case the said goods are not approved within the specified time .

## 6. INPUT TAX CREDIT

- Input Tax credit is a major part under GST . We have to verify the Input tax credit available based on the documentary requirements as per Rule 36 of the CGST Act and the conditions for claiming of input tax credit.
- Documents such as invoice issued by supplier , debit note , bill of entry in case of imports or similar document, self invoice in case of reverse charge, ISD invoice or credit note or other document as per rules 54 of CGST Act.
- Cross checking of entries of inward supplies with the invoices received from suppliers

# WALK THROUGH GST AUDITS

- Also to check the records with the returns filed and to ascertain the reasons for difference if any.
- Have a checklist of negative list i.e the list of restriction of input tax credit. – Section 17(5) of the CGST Act.
- Also to check the tax adjustment setoff done
- In case of capital goods , verify whether the ITC on the same is eligible or not? If yes then whether depreciation on the same is not claimed under Income tax act then only eligible for Set off or else not. In case not eligible then the same is capitalized to the asset itself.
- In case of sale of capital goods , whether the ITC claimed earlier is reversed or not as per the provisions of the law.



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- Check whether the ITC is reversed in case the consideration is not paid within the period of 180 days from the date of issue of invoice. ( Rule 37 of CGST Act ) Further the ITC can be allowed in case the payment is made.
- The documents on the basis of which ITC is claimed shall contain all the mandatory details of recipient such as Name. GSTIN, address, Place of supply, qty., value etc. ( Rule 46 of CGST act )
- Wherever there is a credit note received from supplier , then the ITC is reversed or not ?
- ITC should be bifurcated into eligible, ineligible, blocked credit and common credits.



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- In case of common credits check that the reversal of the same is done (Rule 42 of CGST Rules)
- Reconciliation of ITC between GSTR 3B and GSTR 2A is to be done
- Wherever Transitional credit is taken , verify the documents based on which the same is taken.
- In case the registered dealer has changed in scheme from Regular to composition or vice a versa. Then the effect of the same given to the ITC and the relevant forms submitted to opt the same.

# WALK THROUGH GST AUDITS

## 7. INPUT TAX SERVICE DISTRIBUTOR

- Check the registration details taken per the provisions of law
- Calculation of Turnover for allocation of the ITC to the different locations.
- Invoice issued by ISD should contain all the details as required by law.
- Apportionment of ITC eligible and in eligible.

## 8. CLASSIFICATIONS

- Goods or services to be classified as per the schedules/ Notifications- For certain supply to determine whether supply of goods or services we have to refer to Schedule II which provides the list of certain supplies which are to be considered as goods or services.
- Rate of tax is confirmed based on the HSN code.
- SAC/ HSN code should be as per law.

# WALK THROUGH GST AUDITS

- In case any specific Advance Ruling is applicable is to be verified.
- In case there is any change in rate of tax during the period by way of notification , then the said is applied with the same date as mentioned in the notification.

Eg: In case of standalone restaurants there was change in rate of tax wef 14-11-2017. The rate was reduced to 5% without ITC condition.

# WALK THROUGH GST AUDITS

## 9. RETURNS

- Review the GST returns filed by the registered person
- Reconciliation of GSTR-9 with GSTR-1 and GSTR-3B is to be done with books of accounts.
- Any interest due and paid or late fees is paid ?
- In case the late fees was waived by the government then in case of payment the said whether credited to cash ledger or Not ?
- To verify whether the Transitional returns were filed in time or not ? and within the due date.

# WALK THROUGH GST AUDITS

## 10. GST COLLECTIONS AND PAYMENT VERIFICATION

- To check whether the tax liability is paid within the prescribed time.
- The collection of tax is being made at the applicable rates only. If excess collection made then to check that the said collected tax is being deposited in the government treasury irrespective of whether the supplies are taxable or not.
- Verify that whether the tax charged is correct based on the provisions of place of supply. i.e to check where IGST is to be levied ,wrongly CGST +SGST is not collected and vice versa.



# WALK THROUGH GST AUDITS

## 11.REVERSE CHARGE

- Verify whether the tax under reverse charge is paid as per section 9(3) of CGST Act i.e on specified goods or services. Eg . Fees paid to Advocates for business work , Transport charges paid to Goods Transport Agency etc.
- Verify whether the tax under reverse charge is paid as per section 9(4) of CGST Act i.e on supply received from a unregistered person by a registered person.The said was applicable on supply of goods or services or both till 12-10-2017.So to check between the period from 1-7-2017 to 12-10-2017.Also limit of Rs.5000/- per day was provided and on which Reverse charge was not applicable.

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- In case of Import of goods, verify that whether GST is paid under Reverse charge on the freight charges paid by the importer. In case the freight value is not mentioned separately then in such case the 10% of the value is to be considered as Freight value and on that 5% is payable.
- As we have discussed earlier the documents eligible for Input tax credit. For eligibility of input tax credit of tax paid under reverse charge , the registered person has to raise an self invoice in their own name. So to check the said invoices.

# WALK THROUGH GST AUDITS

## 12. VALUE OF TAXABLE SUPPLY

- This is very much important under GST, as the amount of tax to be paid will be on the value determined . Sec 15 of the CGST Act and Rule 27 to Rule 35 of CGST Rules ,2017 provides the basis on which value has to be determined under GST.Points to be kept in mind while determining the value are based on various factors as :
- Whether the supplier and recipient are related or not ?
- Whether price is the sole consideration for the supply ?
- If both are not related and the price is the sole consideration then the price actually paid or payable will be the value of supply i.e transaction value. Refer to the “related person” as provided in the explanation in section 15 of CGST Act.

# WALK THROUGH GST AUDITS

*Explanation.*—For the purposes of this Act,—

- (a) persons shall be deemed to be “related persons” if—
  - (i) such persons are officers or directors of one another’s businesses;
  - (ii) such persons are legally recognised partners in business;
  - (iii) such persons are employer and employee;
  - (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
  - (v) one of them directly or indirectly controls the other;
  - (vi) both of them are directly or indirectly controlled by a third person;
  - (vii) together they directly or indirectly control a third person; or
  - (viii) they are members of the same family;
- (b) the term “person” also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

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- All taxes , duties, cesses, fees and charges levied under any law for the time being in force, other than CGST Act, SGST Act, IGST Act, GST(Compensation to states)Act, wherever charged separately by the supplier.
- Incidental expenses, including commission and packing, charged by supplier to recipient is also to be added for valuation.
- In case the supplier charges any interest or late fee or penalty towards late fees for delayed payment of the consideration, then GST on the said amount is also applicable i.e interest or late fee to be considered for valuation.
- Check whether the discounts offered to customers ( pre/post supply) are not included in the value of supply if the conditions of section 15(3) of CGST are fulfilled- viz. the discount allowed is before or at the time of supply and is recorded in the invoice wheres in case of post supply the said terms is agreed upon into before or at the time of such supply.



# WALK THROUGH GST AUDITS

## To check whether the valuation is being done based on the valuation rules –

- Rule 27- value of supply where consideration is not wholly in money
- Rule 28- Value of supply between distinct or related persons, other than through an agent.
- Rule-29- Value of supply of goods made or received through an agent.
- Rule 30- Value based on cost ( Cost +10% ) . Where value of a supply of goods or services or both is not determinable by any preceding rules then according to this rule cost plus 10% shall be considered.
- Rule 31- Residual method of valuation. ( applicable when value cannot be determined under Rule 27 to Rule 30) To determine using reasonable means considering principles and general provisions of Sec 15 of CGST Act
- Rule 31A – value in case of lottery, betting, gambling and horse racing- added wef 23-1-2018.
- In case of pure agent , check whether the deduction as pure agent has been taken as per Rule 33 of the CGST Rules ?
- Wherever the value of supply mentioned in the invoice is inclusive of GST, then in such cases the value is to be determined as per Rule 35 of the CGST Rules,2017

# WALK THROUGH GST AUDITS

- In case of exports, the rate of exchange of currency for determining value of goods shall be the applicable rate of exchange as notified by the Board u/s 14 of the Customs Act, 1962 - and for supply of services the rate of exchange determined as per the Generally accepted accounting principles for the date of time supply of such services in terms of section 13 of the Act – Refer Rule 34 of CGST Rules, 2017.

# WALK THROUGH GST AUDITS

## 13. PLACE OF SUPPLY

Place of supply is the important factor for determining whether IGST is to be levied or CGST+SGST is to be levied. To determine the place of supply of goods or services we have to go through Section 10, Section 11, Section 12 and Section 13 of IGST Act,2017. So while vouching the invoices following points have to be considered –

- Verify that the supply is correctly considered as inter state/ intra state based on the policy document of the entity
- To check that for a transactions to be considered as inter state or intra state supply , all the conditions are fulfilled as per IGST Act,2017.
- In case of Exports of goods or Export of services verify that all the conditions are fulfilled or not? Refer Sec 2(5) of IGST Act,2017 for definition of Export of goods and Sec 2(6) of IGST Act,2017 for definition of Export of Services.

# WALK THROUGH GST AUDITS

- In case where the supplies are in territorial waters, then in such case place of supply is to be determined as per Section 9 of the IGST Act. Where the location of supplier is in territorial waters -
  - then location of such supplier shall be deemed to be in the coastal state or Union territory where the nearest point of the appropriate baseline is located or
  - in case where the place of supply is in the territorial waters, the place of supply shall be deemed to be in the coastal state or Union territory where the nearest point of the appropriate baseline is located.
- In case of supply of goods other than supply of goods imported or exported from India- determine the place of supply of goods as per Section 10 of the IGST Act,2017.
- In case of determining place of supply of goods imported into India the location of Importer shall be the place of supply and in case of goods exported from India , place of supply shall be the location outside India i.e where the goods are send. ( Refer Sec 11 of IGST Act,2017)

# WALK THROUGH GST AUDITS

- While determining place of supply in case of supply of services , verify that in cases where both the supplier and recipient are located in India then the place of supply is to be determined as per Section 12 of the IGST Act,2017.
- In case of certain specified services the place of supply to be determined as per the said sub sections from 3 to 14 of section 12 of IGST and
- in case of other then specified services then as per subsection 2 of Section 12 of IGST –in case service is made to a registered person then the location of such person and
- in case where service is made to any other person other then a registered person then location of the recipient where address is available and in other cases the location of supplier of services will be the place of supply.



# WALK THROUGH GST AUDITS

- Check that in cases where the location of either the supplier or the recipient is outside India ,then the place of supply is to be determined as per Section 13 of the IGST Act,2017.
- In case of certain specified services the place of supply to be determined as per the said sub sections from 3 to 13 of section 13 of IGST and in case of other then specified services then as per subsection 2 of Section 13 of IGST Act,2017.
- In case of other then specified services- the location of recipient of services shall be the Place of supply . Further provided that in case the location of recipient of services is not available then the place of supply shall be the location of supplier of services.

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- In case of Intermediary services check whether the Place of Supply is determined as per Sec 13( 8) of IGST Act,2017.
- While checking place of supply in case of supply by SEZ to DTA , verify whether the same has been considered as inter state supply or not ?

## 14.REFUND

- As per Sec 54 of CGST Act,2017 the time limit for making a refund application is before expiry of two years from the relevant date. Relevant date is defined in the explanation given in the Section 54.

# WALK THROUGH GST AUDITS

- Explanation – For the purposes of this section -
    - (2) “relevant date” means—
  - (a) in the case of goods exported out of India where a refund of tax paid is available in respect of goods themselves or, as the case may be, the inputs or input services used in such goods,—
    - (i) if the goods are exported by sea or air, the date on which the ship or the aircraft in which such goods are loaded, leaves India; or
    - (ii) if the goods are exported by land, the date on which such goods pass the frontier; or
    - (iii) if the goods are exported by post, the date of despatch of goods by the Post Office concerned to a place outside India;
- ( Refer to the Explanation for the entire meaning of “relevant date”)

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- To check whether the supplier is eligible for Refund
- Refund eligibility
  - ❖ A specialized Agency of the United Nations Organisation or
  - ❖ any Multilateral Financial Institution and Organisation notified under the UN(privileges and immunities)Act,
  - ❖ Consulate or Embassy of Foreign countries or
  - ❖ Any other person as notified.
- In case of refund of unutilised input tax credit, registered person can claim refund only in case when:
  - ❖ Zero rated supplies made without payment of tax;
  - ❖ where the rate of tax on inputs is higher than the rate of tax on output supplies( other than Nil rated or fully exempt supplies)
  - ❖ Or as may be notified by the Government on recommendation of council.

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- Check whether any export duty is levied by Government on the goods exported out of India . In case it is levied , then the said supplier cannot claim refund of unutilised input tax credit.
- In case the supplier avails drawback in respect of Central tax or claims refund of IGST tax paid on such supplies then no refund of input tax credit shall be allowed.
- Verify the amount of Refund applied and refund sanctioned
- Check whether any refund application is being rejected by the proper officer? In case yes, then also verify that whether the amount is re credited to Electronic Credit ledger?



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- Check the accounting entries passed in books with respect to Refund applied, pending, rejected or appealed .
- Check whether any interest on delayed refund is receivable (Sec 56 of CGST Act,2017).Time limit for getting refund is within sixty days from the date of application of refund.
- Interest rate is on such refund is not exceeding 6% p.a

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## 15.INWARD SUPPLY

- The verification of inward supplies is of very much importance as while vouching we can get the idea about whether the input tax credit on such supply is eligible or not or is hit by section 17(5) of the CGST Act etc. So in order to take allowable credit it is important to verify the same efficiently. Following checklist can be helpful for verifying Inward supply:
- Check the purchase invoice/ delivery challans with purchase register.
- Check the HSN classification

# WALK THROUGH GST AUDITS

- Verify that for taking input tax credit the documents eligible for taking credit are available ( Refer Rule 36 of CGST Rules,2017)
- ✓ Tax Invoice issued by supplier as per Sec 31 of CGST Act
- ✓ In case of taking credit of tax paid under Reverse charge then the registered person has to raise an invoice on self. The said credit is allowed subject to payment of tax.
- ✓ A debit note issued by a supplier.

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- ✓ A bill of entry or any similar document prescribed under the Customs Act, 1962 or rules thereunder for assessment of IGST on imports.
- ✓ An ISD invoice or ISD Credit note or any document issued by an Input Service Distributor.
- ✓ The documents shall contain all the particulars specified in the provisions of CGST Rules, 2017.

# WALK THROUGH GST AUDITS

- In case any amount of tax that has been paid in pursuance of any order where the demand has been confirmed on account of any fraud, willful misstatement or suppression of facts, No ITC shall be availed.
- In case of capital goods and plant and Machinery , check whether depreciation under Income Tax Act,1961 has been claimed or not ,on the tax component of such goods . In case depreciation has been claimed then it will not be eligible for input tax credit.(Sec 16(3) of CGST Act,2017)
- In case on input tax credit not allowable then verify that the same is added to the cost of purchase ?



# WALK THROUGH GST AUDITS

- Check whether there are any supply invoices which are not entered in the records.
- Proper classification of inward supplies are made – Intra state, inter state, imports etc.
- Check whether there is sale/ deletion of Fixed assets.

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## 16.MAINTENANCE OF BOOKS OF ACCOUNTS

Chapter VIII of CGST Act,2017 relates to Accounts and Records. Section 35 refers to Accounts and records that every registered person shall keep and maintain at his principle place of business as mentioned in the registration certificate and Section 36 refers to the period of retention of accounts.

So while carrying out GST audit following needs to be keep in mind :-

- Verify whether a true and correct account is maintained of

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- Production or manufacture of goods;
- 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 prescribed.
- In case of more than one place of business , verify that the accounts related to each place of business are kept at such place of business.- Atleast printouts to be kept in case of centralised maintenance of books of accounts
- Verify that the maintenance of accounts are as per Rule 56 of CGST Rules,2017

# WALK THROUGH GST AUDITS

- In case the records are maintained electronically then check that the provisions of Rule 57 of the CGST Rules,2017 are followed viz. proper back up of records to be maintained and the same shall be provided to the proper officer as and when called for.
- In case of conducting audit of transporter or owner or operator of warehouse ,verify that he has maintained all the records in accordance with Rule 58 of CGST Rules,2017 viz maintenance of records of goods transported, delivered and goods stored in transit , GSTIN of registered consignor and consignee for each of his branches.

# WALK THROUGH GST AUDITS

- Verify that whether the E-way bill/delivery challan is maintained as per law
- Check that register of ITC-01, ITC-02, ITC-03 and ITC-04 is maintained
- Check whether the books of accounts are centralized or de centralized?
- Obtain the copies of audited Financial Statements of each registration .
- Others if any.



# WALK THROUGH GST AUDITS

## 17.GENERAL

Now we shall discuss about certain general points which are also required to be considered while conducting GST audit.

- Checking of Anti-profiteering clause Sec 171 of CGST Act,2017.- Check that during the period if there is any change in rate of tax on any supply of goods or services, then the benefit of input tax credit is passed on to the recipient by way of reduction in prices.
- Verify whether reliance is placed on any notifications/ advance ruling/judgement in respect of rate of tax charged. Go through the same and see whether any conflicting Advance Ruling order is applicable ?

# WALK THROUGH GST AUDITS

- Check whether any inspection proceedings for transitional credits, taken by the registered person.
- In case any internal audit report is available, verify whether any adverse points are mentioned by the auditor?
- Check whether any orders are being passed by the department?
- Confirm about the periodicity of updation of accounts/records
- Whether during time of audit we came across any unusual transactions of either inward or outward supply.

# WALK THROUGH GST AUDITS

- Obtain letter of Appointment and issue letter of acceptance .
- Discuss the issues with the client, which arised while conducting the audit.

## **Late filing/Non Filing of Audit report :**

- Late fees of Rs.100/- per day under CGST Act,2017 and Rs.100/- per day under SGST Act,2017 so total Rs.200/- per day ( Sec 47 of CGST Act)
- Subject to maximum of quarter per cent of the turnover.
- General penalty of Rs.25,000/- applicable as contravention of any provisions of Act or Rule.(Sec 125 of CGST)

# WALK THROUGH GST AUDITS

## Conclusion :

- ❑ The above checklist is an illustrative one. One may determine the checklist as per the requirement while conduction audit and depending upon the nature of the business.
- ❑ Refer the material “Technical Guide on Annual Return & GST Audit” issued by ICAI.



*Thanks*

**CA SANJAY GAJRA**