

# Documents and Records to be maintained for Audit

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The first step to success is knowing your *Priorities*

Maintenance of proper records and documentation

A stack of four smooth, light-colored stones is shown next to a bookshelf filled with books. The text is overlaid on this background.

## Introduction to Annual Audit

- ❖ Under the erstwhile Indirect Tax Law viz. Central Excise and Service Tax Law, there were no requirement for audit of accounts and furnish reconciliation statement by an accountant.
- ❖ Audit was carried out by the Departmental authorities – EA 2000 audit.
- ❖ Several State VAT Laws stipulated audit of records by a Chartered Accountant or Cost Accountant. In State of Maharashtra, turnover limit prescribed was of INR 1.00 Crores.



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## What is audit ?

- ❖ As per Section 2(13) of CGST Act 2017 **“Audit” means**
  - (a) the **examination** of records, returns and other documents maintained or furnished by the registered person under this act or rules;
  - (b) to verify the **correctness** of turnover declared, taxes paid, refund claimed and input tax credit availed;
  - (c) to **assess** the compliance with provisions of this Act or the rules made thereunder



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## Scope & Responsibility of audit

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Auditor to affirm that auditee has:

- i. Determined taxability of Goods and / or services correctly
- ii. Done correct classification of goods and / or services
- iii. Determined time of supply correctly
- iv. Determined place of supply properly
- v. Done proper valuation of goods and / or services
- vi. Availed and utilized Input tax credit correctly
- vii. Claimed exemptions and refunds correctly

Complied with procedures with respect to:

- Registration and amendments,
- Maintenance of accounts records,
- TDS / TCS,
- Payment of tax,
- Invoicing etc.



## Accounts and Records – S. 35

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- ❖ Every RTP 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;
  - ✓ Inward or outward supply of goods and/or services;
  - ✓ Stock of goods;
  - ✓ Input tax credit availed,
  - ✓ Output tax payable and paid,
  - ✓ Invoices, Bill of Supply, Delivery Challans, Credit & Debit Notes'
  - ✓ Receipt, Payment and Refund Vouchers and e-way bills.
- ❖ In case of **more than one place of business** mention in COR, accounts relating to each place of business **shall be kept at such places of business concerned**.



Accounts can be kept in electronic form and authenticated by means of Digital signature.

Accounts and records to be maintained for Manufacturing, trading and Services activities.

## Maintenance of Accounts – Rule 56

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❖ Every RTP shall maintain accounts and details in respect of

Stock	Payment of Taxes	Particulars
<ul style="list-style-type: none"> <li><input type="checkbox"/> Account of Stock of each commodity received and supplied by him;</li> <li><input type="checkbox"/> Account shall contain particulars –               <ul style="list-style-type: none"> <li>✓ Opening balance;</li> <li>✓ Receipt and Supply;</li> <li>✓ Goods lost, stolen, destroyed;</li> <li>✓ Goods written off;</li> <li>✓ Goods disposed by way of gift;</li> <li>✓ Goods distributed as free sample</li> <li>✓ Balance of stock including raw materials, finished goods, scrap and wastage thereof.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Maintain account containing details of –               <ul style="list-style-type: none"> <li>✓ Tax payable;</li> <li>✓ Tax payable under RCM;</li> <li>✓ Tax collected and paid;</li> <li>✓ Input Tax credit claimed;</li> <li>✓ Register of Tax invoice, credit note, debit note, delivery challan issued or received during any tax period.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Name and complete address of suppliers from whom he has received the goods or services;</li> <li><input type="checkbox"/> Names and complete addresses of the persons to whom he has supplied the goods or services;</li> <li><input type="checkbox"/> Complete addresses of the premises where the goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein</li> </ul>

## Maintenance of Records – Rule 56

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❖ Every RTP shall maintain records and details in respect of

Storage of Goods	Storage of Books of Account	Entries in registers, accounts & documents
<ul style="list-style-type: none"> <li><input type="checkbox"/> If any taxable goods are found to be stored at any place(s) other than declared place, without the cover of any valid documents, Proper Officer shall determine tax payable on such goods as if such goods have been supplied by registered persons.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> RTP shall keep the books of account at the principal place of business and at every related place(s) of business mentioned in his certificate of registration. This will also include any electronic form of data stored on any electronic device.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Shall not be erased, effaced or overwritten;</li> <li><input type="checkbox"/> Incorrect entries shall be scored out under attention and then correct entries shall be recorded;</li> <li><input type="checkbox"/> In cases of maintenance is electronically, a log of every entry edited or deleted shall be maintained.</li> </ul>

## Maintenance of accounts by Agents – Rule 56 (11)

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- ❖ Every agent shall maintain accounts depicting the –
  - (a) particulars of authorization received by him from **each principal** to receive or supply goods or services on behalf of such principal separately;
  - (b) particulars including description, value and quantity (wherever applicable) of goods or services **received** on behalf of every principal;
  - (c) particulars including description, value and quantity (wherever applicable) of goods or services **supplied** on behalf of every principal;
  - (d) details of accounts furnished to every principal; and
  - (e) **tax paid on receipts** or on supply of goods or services effected on behalf of every principal.



## Maintenance of Records – Rule 56 (12) to (14)

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- ❖ Every RTP shall maintain records and details in respect of

Manufacturing of Goods	Supplying Services	Executing Works Contract
<ul style="list-style-type: none"> <li><input type="checkbox"/> monthly production accounts, showing the quantitative details of raw materials or services used in the manufacture; and</li> <li><input type="checkbox"/> quantitative details of the goods so manufactured including the waste and by products thereof.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> showing the quantitative details of goods used in the provision of each service,</li> <li><input type="checkbox"/> details of input services utilised and</li> <li><input type="checkbox"/> the services supplied.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Names &amp; addresses of the persons on whose behalf the works contract is executed;</li> <li><input type="checkbox"/> Description, value &amp; quantity (wherever applicable) of goods or services received and utilized for / in, the execution of each works contract;</li> <li><input type="checkbox"/> Details of payment received in respect of each works contract;</li> </ul>

## Accounts and Records – S. 35 (2) & R. 58

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- ❖ Every **owner or operator of warehouse or godown**; or any other place **used for storage** of goods and **every transporter**, irrespective of whether he is a registered taxable person or not **shall maintain records of consigner, consignee and other relevant details of the goods as may be prescribed.**
- ❖ Such un-registered godown keepers or transporters have to register themselves on the GSTIN portal in **Form GST ENR – 01** and they would be issued **unique enrolment number.**
- ❖ Registration in one State will deemed to be registered in all other States.



## Manner of Maintenance of records – S. 35 (2) & R. 58

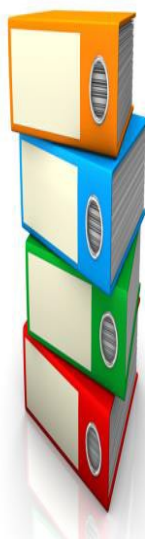
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### Goods Transporters

Details to be maintained:

1. Goods Transported;
2. Goods Delivered;
3. Goods Stored in transit;
4. GSTIN of consigner and consignee

Records to be maintained for all branches.



### Warehouse / Godown Keeper

Details to be maintained:

1. Goods inward;
2. Goods outward;
3. Stock;
4. Period for which goods remain in warehouse.
5. Stored goods should be kept in such manner so can be identified, item-wise and owner-wise.

## Audit – State wise or PAN wise

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- ❖ It is worth emphasizing here that for audit purposes the turnover limit of Rs. 2 Crore is to be computed by including **turnover in all the States or Union territories**, as the case may be, i.e. on all India basis under same PAN ?
- ❖ Since each of the State GST Acts also has the provisions relating to GST Audit, it appears that the **GST audit shall be conducted state-wise**.
- ❖ **No separate threshold limit** has been specified for Special Category States. [Eastern States of India – Assam, Arunachal Pradesh, Mizoram etc.]





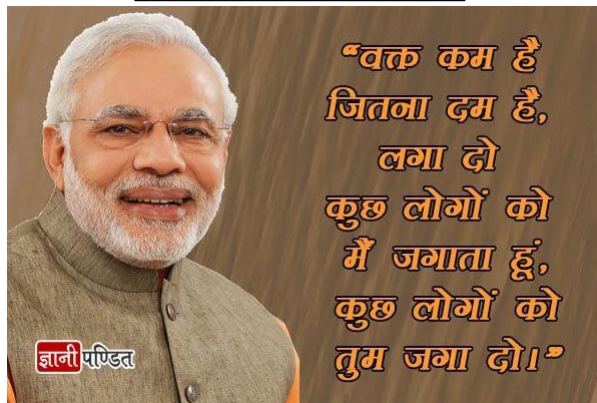
Remember one thing



Proper checklist is required



How to do it



## Check point for GST Audit

### ❖ Cenvat Credits Carried forwards:

- Un-utilized Cenvat Credits as on 30-06-2017 is correctly carried forward in TRAN-1;
- Un-availed Cenvat Credits on capital goods is correctly carried forward in TRAN-1;
- Input Tax Credits in Stocks of RM, SFG and FG is correctly carried forward in TRAN-1
- Tax Credit in respect of invoices where rate of taxes is not shown separately and filing of TRAN – 2;
- Effect of Un-utilized Cenvat Credit of KKC & SBC as on 01-07-2017?  
[Kansai Nerolac Paints Ltd. – GST/ARA-18/2017-18/B-25 – Dated 05-04-2018]
- Service tax paid under RCM for the tax liability arises after 01-07-2017
- Goods at job workers / agents place as on 30-06-2017

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## Check point for GST Audit

### ❖ Procedural Points:

- ❑ Display of **registration certificate** at **prominent location** at his **principal place of business** and at **every additional place of business**. [Rule 18(1)];
- ❑ Display of **GSTIN** on the name board exhibited at the entry of his principal place of business and at every additional place of business. [Rule 18(2)];
- ❑ Tax invoices are issued pursuant to Section 31 r.w. Rule 46 to 55A;
- ❑ Debit Notes and Credit Notes are issued pursuant to Section 34 of CGST Act;



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## Check point for GST Audit

### ❖ Outward Supply:

- ❑ Tax Liability is discharged after taking in to considerations –
  - (i) Rate schedules;
  - (ii) Notifications (change in rate of taxes);
  - (iii) Ruling by Advance Authority in different States
- ❑ Tax liability discharged on receipt of advances towards supply of goods or services; [No Tax liability on advances received towards supply of goods from 15-11-2017 – N. No. 66/2017 – Central Tax – Dated 15-11-2017];
- ❑ Goods sent to branches in other States – Tax invoice to be issued;
- ❑ Goods sent to job worker – must be returned within 180 days;
- ❑ Goods distributed free of charge & distributed as free sample;
- ❑ Exports of goods & services, supplies to SEZ;

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## Check point for GST Audit

### ❖ Outward Supply:

- Accounting treatment on receipt of Duty Scripts (License) and its disposal;
- Supply of goods or services when consideration is not wholly in money; [Grant of development rights]
- Deemed supply of services – agreeing to the obligation to refrain from an act, or to tolerate an act or situation, or to do an act [Schedule – II 5 (e)];
- Determination of supply of services to branches - Cross Charges;
- Determination of turnover when supply to related party;
- Reconcile the outward supply as per financial statements with GSTR-3B and GSTR-1 filed every month / quarter;
- Reporting of Exempt and NIL rated, and Non-GST outward supplies;

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## Check point for GST Audit

### ❖ Inward Supply:

- Recording of all inwards supplies in the month in which invoice for supply of goods or services or both is received;
- Recording of import transaction in books of accounts;
- Tax liability to be discharged under Reverse Charge Mechanism
  - (i) supplies are procured from Un-registered persons till 12-10-2017 – S. 9(4);
  - (ii) specified goods or services – S. 9(3)
- Conditions for availment of ITC is complied – S. 16(2)
  - (i) Possess tax invoice or debit note or other duty paying documents;
  - (ii) Received the goods or services;
  - (iii) Supplier had paid tax on such supply and claimant had filed the return;
  - (iv) Pays invoice value to the supplier within 180 days

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## Check point for GST Audit

### ❖ Inward Supply:

- Reconcile the purchases as per financial statement with GSTR-3B and GSTR-2 filed every month / quarter;
  - Reporting of Exempt and NIL rated, and Non-GST outward supplies;
  - Reconcile the inward supplies with GSTR-2A from the system to ensure that supplier had uploaded return and paid the tax liability;
  - If goods are procured from merchant exporters at concessional rate – 0.1%, check the compliance of all conditions
- ❖ It is advisable to record outward supply and inward supply of goods and services through purchase and sales registers.

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## Check point for GST Audit

### ❖ Input Tax Credits:

- Determine whether any **ITC are to be apportioned** – [S. 17(1) to S. 17(4)]
  - (i) Goods or Services are used partly for effecting taxable supplies and partly for exempt supplies; - Rule 42
  - (ii) Goods or Services are used partly for business and partly for other purposes;
  - (iii) Capital goods are used partly for effecting taxable supplies and partly for exempt supplies; - Rule 43
  - (iv) Banking and Financial Institutions including NBFC have option to avail credits equal to 50% of eligible ITC on inputs, capital goods and input services and balance will lapse.

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## Check point for GST Audit

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### ❖ Input Tax Credits:

- ❑ Determine whether any **IITC are under block credit** – [ S. 17 (5)]
  - (i) Motor vehicle and other conveyances except specified;
  - (ii) Food & Beverages, outdoor catering, beauty treatment, health services, cosmetic & plastic surgery etc.;
  - (iii) membership of a club, health and fitness centre;
  - (iv) rent-a-cab, life insurance and health insurance except it is notified by Government;
  - (v) WCS when supplied for construction of immovable property (other than P&M);
  - (vi) Goods or services used for construction of immovable property (other than P&M);
  - (viii) Supplies for which tax is discharged under composition scheme – S. 10;
  - (viii) goods or services or both used for personal consumption;
  - (ix) goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample.

## Check point for GST Audit

### ❖ Reversal of Input Tax Credits under special circumstances:

- ❑ Where a registered taxable person avails Input Tax Credits – [S. 18(4), 29(5) & R. 44]
  - (i) opts to discharge tax liability under composition scheme;
  - (ii) goods or services supplies by them are wholly exempt;
  - (iii) whose registration is cancelled;

**then IITC availed in respect of**

  - (i) inputs held in stock and inputs contained in SFG or FG
  - (ii) capital goods

should be reversed on the immediately following the day in which option to pay tax u/s. 10 is exercised or date on which it become wholly exempt.

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Aap  
convince ho  
gaye ya  
main aur  
bolu!



Thank You All  
for your patience  
hearing !!

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When people leave a Marvel movie  
before the post-credit scene, scream:

***"Picture abhi baaki  
hai mere dost."***