

Interactive Workshop on GST Audit

August 17, 2019
At
WIRC, ICAI
CA. Keval Shah



Legal Provisions – GST Audit

Section 35 & 44 – CGST Act, 2017

35(5) of the Central Goods and Services Tax Act, 2017

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

44(2) of the Central Goods and Services Tax Act, 2017

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 – CGST Rules, 2017

Rule	Provision
Rule 80 of CGST Rules, 2017	Every registered person whose <u>aggregate turnover</u> during a <u>financial year</u> exceeds <u>two crore rupees</u> shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of <u>audited annual accounts</u> and a <u>reconciliation statement, duly certified, in FORM GSTR-9C</u> , electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner

Certain Issues – Turnover Vs Aggregate Turnover

Turnover in State	Aggregate Turnover
<p>“turnover in State” or “turnover in Union territory” 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) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess;</p>	<p>“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, exports of goods or services or both and inter-State supplies 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;</p>

Examples on Turnover

- **An Assessee having one registration in State of Maharashtra and having turnover of Rs. 2.5 crore and other registration in State of Gujarat and having turnover of Rs. 0.50 crore, then applicability of GST Audit:**
 - Both GSTIN
 - Only Maharashtra
- **Since GST is made applicable from 01st July 2017, How should the turnover be calculated?**
 - Entire Financial Year
 - From 01st July 2017

(Press Release issued by Government of India dated 03.07.2019)

Includability in Turnover

- **Whether the following transactions should be included in Turnover?**
 - Branch Transfer of Goods/Services
 - Sale of Assets
 - Rent Income/Interest Income appearing under Other Income
 - Sale of Securities
 - Discount/Incentive received on Purchases
 - Creditors w/back
 - Foreign Exchange Gain
 - Advance Received from Customer

Scope of Audit

- “Audit” as defined under section 2(13) of CGST to mean 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 there

Chapter XIII – CGST Act

Section 65 – Audit by Tax Authorities	Section 66 – Special Audit
<p>(1) The Commissioner or any officer authorised by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed.</p> <p>(2) The officers referred to in sub-section (1) may conduct audit at the place of business of the registered person or in their office.</p>	<p>(1) If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner</p>

Certain Issues

- Is there any provision of filing the revised FORM GSTR-9C?
 - No, There is no provision for Revising of Form GSTR – 9C
- Whether GST Audit is applicable to non-filers or Unregistered Persons who are required to get registered?
 - Non – Filers (GST Audit shall be applicable if turnover exceeds the limit).
However, instruction issues that all returns to be filed before filing of GSTR – 9 & 9C
 - Unregistered Persons (Not liable for GST Audit)

Time limit to file FORM GSTR-9C?

- Section 44(2) requires reconciliation statement in FORM GSTR-9C along with annual return in FORM GSTR-9.
- As per section 44(1), the due date to file annual return is on or before the thirty-first day of December following the end of such financial year for which annual return is being prepared.
- The same has been extended now up to 31st August 2019 for F.Y. 2017-18

Consequences of Non-Filing / Late Filing of Form 9C

- Section 44(2) requires reconciliation statement in FORM GSTR-9C along with annual return in FORM GSTR-9.
- Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day (each under CGST Act and under SGST Act) for delay in furnishing annual return in FORM GSTR-9, subject to a maximum amount of quarter percent (0.25%) of the turnover in the State or Union Territory.
- In a situation where a registered person files only FORM GSTR-9, but fails to file FORM GSTR-9C, the filing of FORM GSTR-9 may be considered to have been defaulted

Form GSTR – 9C

Structure of Form 9C

- PART A – Form 9C
 - Reconciliation of Turnover Declared in Audited Annual Financial Statement vis-à-vis Turnover declared in Annual Return
 - Reconciliation of Tax Paid
 - Reconciliation of Input Tax Credit
 - Auditors Recommendation on Additional Liability due to non-reconciliation
- PART B – Certification
 - Part B (i) - In case where 9C is done by same person conducting audit
 - Part B (ii) – In case where 9C is done by person other than conducting audit

PART B – Certification

In case 9C is done by same person conducting audit	In case 9C is done by person other than the one conducting audit
<ul style="list-style-type: none">1) Examination of Books of Accounts2) Maintenance of Books of Accounts, Records and documents as required under GST3) Any Observation / discrepancies / comments4) All information and explanation has been provided and books of accounts are in agreement with Financial Statements	<ul style="list-style-type: none">1) Reporting that the Audit has been conducted by _____.2) Maintenance of Books of Accounts, Records and documents as required under GST3) Any Observation / discrepancies / comments

Accounts and Records

Section 35 of CGST Act, 2017	Rule 56 of CGST Rules, 2017
<p>Every registered person shall keep and maintain,—</p> <ul style="list-style-type: none">(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 :	<p>Every registered person shall keep and maintain –</p> <ul style="list-style-type: none">(a) goods or services imported or exported(b) supplies attracting payment of tax on reverse charge(c) Stock of goods including quantitative details(d) Advances and adjustment thereof(e) Input Tax Credit and its details thereof(f) All types of Registers including documentation such as invoices, debit notes, credit notes, receipt vouchers and refund vouchers

Clause wise analysis of PART – A

PART A – Point I (Basic Details)

Pt I	Basic Details	Details to be provided
1	Financial Year	
2	GSTIN	
3A	Legal Name	
3B	Trade Name (If any)	
4	Are you liable to audit under any Act?	

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5A	Turnover (including exports) as per audited financial statements for the State/UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)	<p>The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons/entities with presence over multiple States. Such persons/entities, will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/entities having presence over multiple States</p> <p>Issues:</p> <ul style="list-style-type: none">▪ Whether Gross Turnover (including Other Income) should be considered or only Turnover from Operations to be considered?▪ What about cases like Builders/Contractors?

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5B	Unbilled revenue at the beginning of Financial Year (+)	<p>Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here.</p> <p>What shall be considered as beginning of Financial Year:</p> <ul style="list-style-type: none">▪ 1st April 2017▪ 1st July 2017

PART A – Point II (Reconciliation of Turnover)

Unbilled revenue as on 01.04.2017	100	
Invoiced before 30.06.2017	50	
Unbilled revenue as on 01.07.2017	50	
Invoiced between 01.07.2017 to 31.03.2018	30	
Unbilled revenue as on 31.03.2018	20	
Invoiced after 01.04.2018	20	
	Option I	Option II
5B. Opening unbilled revenue (April/July)	100	50
5G. April to June 2017 (Billing/Turnover)	-50	0
5H. Closing unbilled revenue	-20	-20
5A. Turnover for C.Y	30	30

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues										
5C	Unadjusted advances at the end of the Financial Year (+) Revenue Recognition Vs Unadjusted Advances	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here <table border="1" data-bbox="1003 714 2354 1282"> <tbody> <tr> <td data-bbox="1003 714 1956 811">Advance in respect of taxable services</td> <td data-bbox="1956 714 2354 811">Include here</td> </tr> <tr> <td data-bbox="1003 811 1956 908">Advance in respect of exempted service</td> <td data-bbox="1956 811 2354 908">Include here</td> </tr> <tr> <td data-bbox="1003 908 1956 1048">Advance in respect of goods before 15th November 2017</td> <td data-bbox="1956 908 2354 1048">Include here</td> </tr> <tr> <td data-bbox="1003 1048 1956 1179">Advance in respect of goods after 15th November 2017</td> <td data-bbox="1956 1048 2354 1179">Not to include</td> </tr> <tr> <td data-bbox="1003 1179 1956 1282">Advance received but unidentifiable</td> <td data-bbox="1956 1179 2354 1282">???</td> </tr> </tbody> </table>	Advance in respect of taxable services	Include here	Advance in respect of exempted service	Include here	Advance in respect of goods before 15 th November 2017	Include here	Advance in respect of goods after 15 th November 2017	Not to include	Advance received but unidentifiable	???
Advance in respect of taxable services	Include here											
Advance in respect of exempted service	Include here											
Advance in respect of goods before 15 th November 2017	Include here											
Advance in respect of goods after 15 th November 2017	Not to include											
Advance received but unidentifiable	???											

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5D	Deemed Supply under Schedule I (+)	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.
5E	Credit Notes issued after the end of the financial year but reflected in the annual return (-)	Aggregate value of credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here
5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST (+)	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here. Eg: Cases where post sales discount are not available

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5G	Turnover from April 2017 to June 2017 (-)	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here
5H	Unbilled revenue at the end of Financial Year (-)	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.
5I	Unadjusted Advances at the beginning of the Financial Year (-)	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here
5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST (+)	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5K	Adjustments on account of supply of goods by SEZ units to DTA Units (-)	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.
5L	Turnover for the period under composition scheme (-)	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here
5M	Adjustments in turnover under section 15 and rules thereunder (+/-)	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5N	Adjustments in turnover due to foreign exchange fluctuations (+/-)	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here
5O	Adjustments in turnover due to reasons not listed above (+/-)	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here Issues in Other Income like Rent, Commission etc
	5P, 5Q and 5R	Identification of difference between Adjusted turnover as per above and turnover as per Annual Return
	6	Reasons/Justification of such unreconciled difference

PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
7A	Annual turnover after adjustments (from 5P above)	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any
7C	Zero rated supplies without payment of tax	Value of zero rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any
7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any
	7E, 7F and 7G	Identification of difference between Adjusted turnover as per above and turnover as per Annual Return
	8	Reasons/Justification of such unreconciled difference

Case Study

Period under Review	Books of Accounts		
	Maharashtra	Gujarat	Total
Revenue from Operations	1,00,000	75,000	1,75,000
April to June 2017 Turnover (out of above)	50,000	37,500	87,500
Branch Transfer	25,000	(25,000)	-
Interest Income	5,000	25,000	30,000
Profit on sale of Asset Sale Value of such Asset (20,000)	15,000	-	15,000
Total Income	1,20,000	1,00,000	2,20,000

Disclosure in Annual Return and GST Audit

OPTION 1

Disclosure in Annual Return

Period under Review	MH	GJ
Table 4, 10 & 11	95,000	37,500
Table 5	5,000	25,000
Turnover as per Annual Return	1,00,000	62,500

Disclosure in GSTR – 9C

Period under Review	MH	GJ
Table 5A – T/o	1,00,000	75,000
Table 5D – Deemed Supply (+)	25,000	-
Table 5G – Q1 T/o (-)	50,000	37,500
Table 5O – Others (+) (Int + Sale of Asset)	25,000	25,000
Turnover as per 9C	1,00,000	62,500

Disclosure in Annual Return and GST Audit

OPTION 2

Disclosure in Annual Return

Period under Review	MH	GJ
Table 4, 10 & 11	95,000	37,500
Table 5	5,000	25,000
Turnover as per Annual Return	1,00,000	62,500

Disclosure in GSTR – 9C

Period under Review	MH	GJ
Table 5A – T/o	1,20,000	1,00,000
Table 5D – Deemed Supply (+)	25,000	-
Table 5G – Q1 T/o (-)	50,000	37,500
Table 5O – Others (+) (Sale of Asset Vs Profit on Sale)	5,000	-
Turnover as per 9C	1,00,000	62,500

PART A – Point III (Reconciliation of Tax Paid)

Pt III	Particulars	Instruction and Issues
9	Rate wise break up of taxable turnover (including liability of RCM)	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled “RC”, supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared
	10	Identification of difference between tax paid as per point 9 above and tax paid as per Annual Return. Reasons/Justification of such unreconciled difference
	11	Additional amount payable in respect of differences in turnover/tax paid

PART A – Point III (Reconciliation of Tax Paid)

Pt III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
A B C D E F G H I			Tax payable			
	Description	Taxable Value	Central tax	State tax	Integrated Tax	Cess,
	1	2	3	4	5	6
	5%					
	5% (RC)					
	12%					
	12% (RC)					
	18%					
	18% (RC)					
	28%					
28% (RC)						
3%						

PART A – Point III (Reconciliation of Tax Paid)

J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>
Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of Amount				PT 1	

PART A – Point III (Reconciliation of Tax Paid)

10	Reasons for un-reconciled payment of amount	
	<p>Some of the common reasons for such difference could be on account of the following :</p> <p>Un-reconciled turnover itself at Column 5R.</p> <p>Difference of opinion on classification of goods/services and rate of tax on that.</p>	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

PART A – Point III (Reconciliation of Tax Paid)

11 Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)							
These additional amounts shall be paid through cash only even though the taxable person may have sufficient credit in electronic credit ledger.				To be paid through Cash			
Description		Taxable Value		Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
5%							
12%							
18%							
28%							
3%							

PART A – Point III (Reconciliation of Tax Paid)

0.25%					
0.10%					
Interest					
Late Fee					
Penalty					
Others (please specify)					

PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
12A	ITC availed as per audited Annual Financial Statement for the State/UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons/entities with presence over multiple States. Such persons/entities, will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/entities having presence over multiple States.
12B	ITC booked in earlier Financial Years claimed in current Financial Year	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.

PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here
	12D, 12E & 12F	Identification of difference between ITC as per point 12 above and ITC as per Annual Return
	13	Reasons/Justification of such unreconciled difference

Case Study 1: OPTION 1

Books

Particulars	Amount
Gross ITC as per Books	1,00,000
Blocked Credit Reversed in Books	25,000
NET ITC as per Books	75,000

GST 3B

Particulars	Amount
Gross ITC as per GST 3B	1,00,000
Blocked Credit Reversed in 3B	15,000
NET ITC as per 3B	85,000

GST 9

Particulars	Amount
Gross ITC as per Table 6	1,00,000
ITC Reversed as per 7	25,000
NET ITC as per 7J	75,000

GST 9C

Particulars	Amount
Gross ITC as per Books	75,000
As per Annual Return	75,000
Difference	-

Case Study 1: OPTION 2

Books

Particulars	Amount
Gross ITC as per Books	1,00,000
Blocked Credit Reversed in Books	25,000
NET ITC as per Books	75,000

GST 3B

Particulars	Amount
Gross ITC as per GST 3B	1,00,000
Blocked Credit Reversed in 3B	15,000
NET ITC as per 3B	85,000

GST 9

Particulars	Amount
Gross ITC as per Table 6	1,00,000
ITC Reversed as per 7	15,000
NET ITC as per 7J	85,000

GST 9C

Particulars	Amount
Gross ITC as per Books	75,000
As per Annual Return	85,000
Difference (Specify reason as either reversed in next period / Paid via DRC – 03)	10,000

Case Study 2:

Books

Particulars	Amount
Gross ITC as per Books	1,00,000
Blocked Credit Not Reversed in Books	25,000
NET ITC as per Books	75,000

GST 3B

Particulars	Amount
Gross ITC as per GST 3B	1,00,000
Blocked Credit Reversed in 3B	25,000
NET ITC as per 3B	75,000

GST 9

Particulars	Amount
Gross ITC as per Table 6	1,00,000
ITC Reversed as per 7	25,000
NET ITC as per 7J	75,000

GST 9C

Particulars	Amount
Gross ITC as per Books	1,00,000
As per Annual Return	75,000
Difference (Specify reason that claimed in books but reversed in 3B/Annual Return)	25,000

Case Study 3:

Books

Particulars	Amount
Gross ITC as per Books	1,00,000

GST 3B

Particulars	Amount
Gross ITC as per GST 3B	75,000
Claimed in 18-19	25,000
NET ITC as per 3B	75,000

GST 9

Particulars	Amount
Gross ITC as per Table 6	75,000
ITC claimed in Table 13	25,000
NET ITC as per 7J	75,000

GST 9C

Particulars	Amount
Gross ITC as per Books	1,00,000
As per Annual Return	75,000
(Consider in 12C – Claimed in subsequent period)	25,000

PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account	<p>This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid/was payable are to be declared here</p> <p><u>Rows shall be added to add “Head of Expenditure”</u></p>
	15	Reasons / Justification for Unreconciled difference in ITC
	16	Additional amount payable in respect of differences in Input Tax Credit

PART A – Point IV (Reconciliation of ITC)

14 Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account				
	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
	1	2	3	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods (Including received from SEZs)			
E	Rent and Insurance			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			

PART A – Point IV (Reconciliation of ITC)

H	Employees' Cost (Salaries, wages, Bonus etc.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			
O	Capital goods			

PART A – Point IV (Reconciliation of ITC)

P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<<Auto>>
S	ITC claimed in Annual Return (GSTR9)			
T	Un-reconciled ITC			ITC 2

The list of expense head given in the form is indicative not exhaustive.

ITC on prepaid expenses recorded in the Balance Sheet should also be considered for disclosure under this head.

ITC availed to be shown as net after reversals required due to ineligible credit under section 17(5) of the CGST Act or for any other reason.

Clause 14 is merely sub-set of Clause 12 or much more than that ? Whether it requires reconciliation with PL ?

PART A – Point IV (Reconciliation of ITC)

15	Reasons for un - reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>
16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)	
	Description	Amount Payable
	Central Tax	
	State/UT Tax	
	Integrated Tax	
	Cess	
	Interest	
	Penalty	

PART A – Point V (Auditor Recommendation)

Pt V	Particulars	Instruction and Issues
	<p>Any liability arising on account of difference in turnover/tax paid/ Input Tax Credit will be recommended by the Auditor.</p>	<p>Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.</p>
<p>The taxpayers shall be given an option to pay any additional liability declared in this form, through FORM DRC-03. Taxpayers shall select "Reconciliation Statement" in the drop down provided in FORM DRC-03. It may be noted that such liability shall be paid through electronic cash ledger only</p>		

Take Aways

- Understanding client business
 - State level Policy ,Cross Charge and Invoicing /ITC Policy
- Evolving law and contradictory AAR Rulings
- Process
 - IT Systems and Checklists
 - Reconciliation
 - Documentation
 - MRL and Issues with entity level vs State level Audit
- Position taken during return filing process
 - Review of positions
 - Corrective measures /solutions

Thank You 😊

CA. Keval Shah



Q & A

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