



# **GST AUDIT**

**BY**

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**AT**

**WESTERN INDIA REGIONAL COUNCIL**

**BANDRA KURLA COMPLEX**

# AUDIT UNDER SECTION 2(13) of the CGST Act

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“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;

# RECORDS TO BE MAINTAINED UNDER SECTION 35(1)

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- (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:

# AUDIT UNDER SECTION 35(5)

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## ➤ Who is liable for Audit?

A registered person whose **turnover** in a **financial year exceeds** the **prescribed limit** shall get his accounts audited.

## ➤ Who can conduct GST Audit?

A Chartered Accountant or a Cost Accountant.

## ➤ What are the records to be verified

(i) record of production or manufacture of goods;

(ii) inward and outward supply of goods or services or both;

(iii) stock of goods;

(iv) input tax credit availed;

(v) output tax payable and paid and other relevant particulars prescribed.

# TURNOVER

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## Section 2(112): Turnover in a State

- Aggregate Value of **taxable** supplies;
- **Exempt** supplies;
- **Exports** of goods or services;
- Supplies made **within the state and interstate supplies** of goods and/or services;

### Excludes

- Value of **inwards supplies** on which **tax is payable on reverse charge basis**;
- **central tax, state tax, union territory tax, integrated tax and cess.**

# PRESCRIBED LIMIT-RULE 80(3) OF CGST RULES

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- A registered person;
- whose **aggregate turnover** during a financial year;
- exceeds **two crore rupees**;
- shall get his accounts audited under section 35(5);

# POSER

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- A. M/s Confused Ltd has a turnover of 50 lakhs during the period April to June 2017. The turnover for the period July to March 2018 is Rs 1.75 crores. M/s Confused Ltd is of the view that no GST Audit is required since the total turnover during the GST regime is less than two crores. Further VAT Audit for the period April to June 2017 is already undertaken. Whether M/s Confused Ltd is liable for GST Audit?
- B. Mr. A, a professional maintains accounts on cash basis and has a turnover of Rs 1.8 crores. However, invoices of Rs 2.2 crores are issued during the Financial year. Whether Mr. A is liable for GST Audit?

## **(I) Turnover for eligibility of filing of reconciliation statement:**

It may be noted that the aggregate turnover i.e. the **turnover of all the registrations having the same Permanent Account Number is to be used for determining the requirement of filing of reconciliation statement.**

Therefore, if there are two registrations in two different States on the same PAN, say State A (with turnover of Rs. 1.2 Crore) and State B (with turnover of Rs. 1 Crore) they are both required to file reconciliation statements individually for their registrations since their aggregate turnover is greater than Rs. 2 Crore.

**The aggregate turnover for this purpose shall be reckoned for the period July, 2017 to March, 2018.**

# DOCUMENTS TO BE VERIFIED [ILLUSTRATIVE]

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- Nature of Business Activities – Goods or Services or Both
- HSN and SAC Classification
- Financial Statements along with schedules and notes to accounts for the F.Y. 2017-18.
- State Wise Trial Balance for the period July 2017 to March 2018.
- GST Registration Certificate
- Copies of GST Returns/VAT Returns/Service Tax Returns
- Sample Agreements/Contracts
- Credit Notes/Debit Notes
- Letter of Undertaking, applicable in case of exports.
- List of Related Parties
- Input Register

# RECONCILIATION-BASIC CHECK POINTS

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- GSTR-1 Vs. Books of Accounts
- GSTR-1 Vs. GSTR-3B
- GSTR-3B Vs. GSTR-2A
- Analysis of the Annual Return
- Identify the credits availed in the F.Y. 2018-19 pertaining to the F.Y. 2017-18.
- Identify incorrect reporting/non-reporting, errors/omissions or discrepancies.

# RELEVANT AREAS OF RECONCILIATION- GSTR-9C

## II. RECONCILIATION OF GROSS TURNOVER

No	Particulars	Remarks
	Turnover as per Audited Financial statements for the State/Union-Territory	GSTIN Wise turnover to be determined
<b><u>ADD</u></b>		
1.	Unbilled Revenue at the beginning of the year	Provisions of Income made in the last F.Y. for which GST invoices are raised in the current year.
2.	Unadjusted advances at the end of the Financial year	Advances on which GST is paid but has not been recognized as revenue
3.	Deemed Supply under Schedule 1	Supplies made without consideration <ul style="list-style-type: none"><li>- Supplies between related parties</li><li>- Transfer of Assets on which ITC is claimed</li><li>- Transactions between principal and agent.</li></ul>

# RELEVANT AREAS OF RECONCILIATION- GSTR-9C

## II. RECONCILIATION OF GROSS TURNOVER

No	Particulars	Remarks
4.	Trade discounts /Credit Notes accounted in the audited Financial Statements but are not permissible under GST	Trade discounts and credit notes accounted reducing the turnover in the Books of Accounts to be increased as not adjusted in GST Returns.
<b><u>LESS</u></b>		
1.	Credit Notes issued after the end of the financial year but reflected in the annual return.	Credit Notes issued in the F.Y, 2018-19 pertaining to the F.Y. 2017-18 to be reduced from the turnover as per the Financial Statements.
2.	Turnover from April to June 2017	The turnover in the Pre-GST regime to be excluded.

# RELEVANT AREAS OF RECONCILIATION- GSTR-9C

## II. RECONCILIATION OF GROSS TURNOVER

No	Particulars	Remarks
3.	Unbilled Revenue at the end of the Financial year	<b>Provisions of Income</b> made in the books of accounts in the end of the year <b>not liable for GST</b> to be <b>reduced</b> from the turnover as per the Financial Statements.
4.	Unadjusted Advances at the beginning of the Year	<b>Advances</b> on which <b>GST is already paid</b> in the <b>last Financial Year</b> , but <b>invoices issued</b> in the <b>current year</b> to be <b>reduced</b> .
	<b><u>ADD/LESS</u></b> adjustments on account of <b>valuation provisions/exchange rate fluctuations</b> and any other adjustments.	Refer Note 2

# RELEVANT AREAS OF RECONCILIATION-GSTR-9C

## II. RECONCILIATION OF GROSS TURNOVER

Particulars	Remarks
Annual Turnover after adjustments	This will be auto-populated as per the calculations made
<p>The Annual Turn over as above will be bifurcated into:</p> <ul style="list-style-type: none"><li>- Exempted, NIL Rated, Non-GST supplies, No-Supply</li><li>- Zero-rated supplies</li><li>- Supplies on which tax is to be by the recipient under reverse charge.</li><li>- And Taxable Turnover</li></ul>	
<p><b>The taxable turnover as above should be as per the liability declared in the Annual Return. [ 4N – 4G (+/-) 10 &amp; 11]</b></p>	
<p><b>For the F.Y. 2017-18 and 2018-19, the registered person shall have an option to not fill up these tables, and report all the adjustments under “ due to reasons not listed above”. [Notification No. 56/2019-Central Tax dated 14.11.2019]</b></p>	

# RELEVANT AREAS OF RECONCILIATION

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**Note 1: Income booked in the Current F.Y. reflected as outward supply in subsequent F.Y or Income booked in the subsequent F.Y. and considered as outward supply in the Current F.Y.**

- Time limit for issuance of invoice: 30 days from the provision of service.
- Individuals/professionals following cash basis of accounting.
- Builder/Developer recognizing revenue on percentage completion whereas income recognized on the basis of installments due in the GST return.

# RELEVANT AREAS OF RECONCILIATION

## Note 2: Additions or Deductions in Value under section 15 and the Valuation Rules

- Inclusion of taxes, duties, cesses, fees and charges paid under any law other than the GST Act.
- Liability of the Supplier incurred by the Recipient
- Recovery of incidental expenses such as packing, transportation, travelling etc.
- Interest on delayed payment of consideration.
- Post supply discounts granted in terms of contract.
- Recoveries made as pure agent
- Addition/Deductions on account of invocation of Valuation Rules.

# RELEVANT AREAS OF RECONCILIATION

## III. RECONCILIATION OF TAX PAID

- **Bifurcation** of tax payable to be done rate-wise
- **Total tax paid** to be declared **as per the Annual return**.
- Reasons to be provided for the unreconciled payment of amount
- **Additional liability**, if any can be **discharged by cash through DRC-03**

# RELEVANT AREAS OF RECONCILIATION

## IV. RECONCILIATION OF INPUT TAX CREDIT IN ANNUAL RETURN WITH ITC AVAILED ON EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

Sr.No	Particulars	
	ITC availed as per audited Financial Statements for the State/UT	XXX
ADD	ITC booked in earlier Financial year claimed in current Financial Year. <b>[optional for F.Y. 2017-18 and 2018-19]</b>	XXX
LESS	ITC booked in current Financial Year to be claimed in subsequent Financial Years <b>[optional for F.Y. 2017-18 and 2018-19]</b>	(XXX)
	ITC availed as per audited financial statements or books of accounts	
	ITC claimed in Annual Return	
	Unreconciled ITC	

# RELEVANT AREAS OF RECONCILIATION

## IV. RECONCILIATION OF INPUT TAX CREDIT IN ANNUAL RETURN WITH ITC AVAILED ON EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

**[Optional for F.Y. 2017-18 and 2018-19]**

Sr. No	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
A	Purchases			
B	Freight/Carriage			
C	Power and Fuel			
D	Imported Goods (including received from SEZs)			
E	Rent and Insurance			

# RELEVANT AREAS OF RECONCILIATION

## IV. RECONCILIATION OF INPUT TAX CREDIT IN ANNUAL RETURN WITH ITC AVAILED ON EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

Sr. No	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees Cost			

# RELEVANT AREAS OF RECONCILIATION

## IV. RECONCILIATION OF INPUT TAX CREDIT IN ANNUAL RETURN WITH ITC AVAILED ON EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

Sr. No	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses			
M	Repair and maintenance			
N	Other Miscellaneous expenses			

# RELEVANT AREAS OF RECONCILIATION

## IV. RECONCILIATION OF INPUT TAX CREDIT IN ANNUAL RETURN WITH ITC AVAILED ON EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

Sr. No	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
O	Capital Goods			
P	Any other expense			
	Total amount of eligible ITC availed			
	ITC claimed in Annual Return			
	Un reconciled ITC (reasons to be provided)			

# AUDITORS RECOMMENDATION ON ADDITIONAL LIABILITY

Description	Value	To be paid through Cash			
		Central Tax	State Tax/UT Tax	Integrated Tax	Cess, if applicable
5%					
12%					
18%					
28%					
3%					
0.25%					
0.1%					
Input Tax Credit					

# CERTIFICATION

## I. **Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit:**

I/we have examined the—

- (a) balance sheet as on .....
- (b) the \*profit and loss account/income and expenditure account for the period beginning from .....to ending on ....., and
- (c) the cash flow statement for the period beginning from .....to ending on .....,  
— attached herewith, of M/s ..... (Name), .....  
(Address), .....(GSTIN).

# CERTIFICATION

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2. Based on our audit I/we report that the said registered person— \*has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder \*has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder

# CERTIFICATION

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3. (a) \*I/we report the following observations/ comments / discrepancies / inconsistencies; if any: .....

3. (b) \*I/we further report that, -

(A) \*I/we have obtained all the information and explanations which, to the best of \*my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of \*my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

(B) In \*my/our opinion, proper books of account \*have/have not been kept by the registered person so far as appears from \*my/ our examination of the books.

# CERTIFICATION

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(C) I/we certify that the balance sheet, the \*profit and loss/income and expenditure account and the cash flow Statement are \*in agreement/not in agreement with the books of account maintained at the Principal place of business at .....and \*\* .....additional place of business within the State.

4. The documents required to be furnished under section 35 (5) of the CGST Act/SGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act/SGST Act is annexed herewith in Form No. GSTR-9C.

5. In \*my/our opinion and to the best of \*my/our information and according to explanations given to \*me/us, the particulars given in the said Form No.GSTR-9C are true and **fair** subject to following observations/qualifications, if any:

# CERTIFICATION

## **II. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts:**

\*I/we report that the audit of the books of accounts and the financial statements of M/s. .... (Name and address of the assessee with GSTIN) was conducted by M/s. .... (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of the .....Act, and \*I/we annex hereto a copy of their audit report dated ..... along with a copy of each of :-

- (a) balance sheet as on .....
- (b) the \*profit and loss account/income and expenditure account for the period beginning from .....to ending on .....,

# CERTIFICATION

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(c) the cash flow statement for the period beginning from .....to ending on .....,  
and

(d) documents declared by the said Act to be part of, or annexed to, the \*profit and loss  
account/income and expenditure account and balance sheet.

2. I/we report that the said registered person— \*has maintained the books of accounts,  
records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the  
rules/notifications made/issued thereunder

\*has not maintained the following accounts/records/documents as required by the  
IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder:

- 1.
- 2.
- 3.

# CERTIFICATION

(3. The documents required to be furnished under section 35 (5) of the CGST Act/SGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act/SGST Act is annexed herewith in Form No.GSTR-9C.

4. In \*my/our opinion and to the best of \*my/our information and according to examination of books of account including other relevant documents and explanations given to \*me/us, the particulars given in the said Form No.9C are true and **fair** subject to the following observations/qualifications, if any:

(a) .....

(b) .....

(c) .....

# **THANK YOU**

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