



# **SPECIAL AUDIT**

# AGENDA

Provisions

1

2 Audit  
Planning

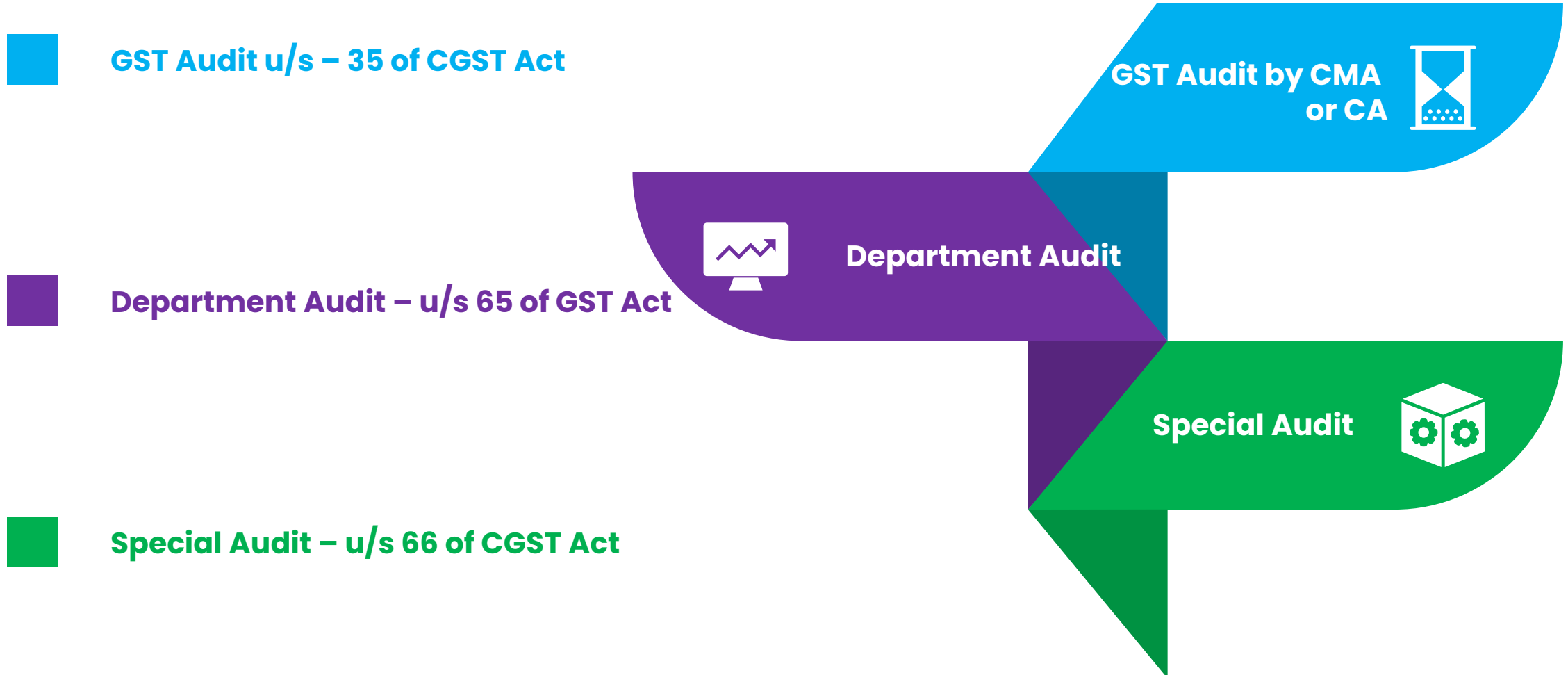
Reporting

3

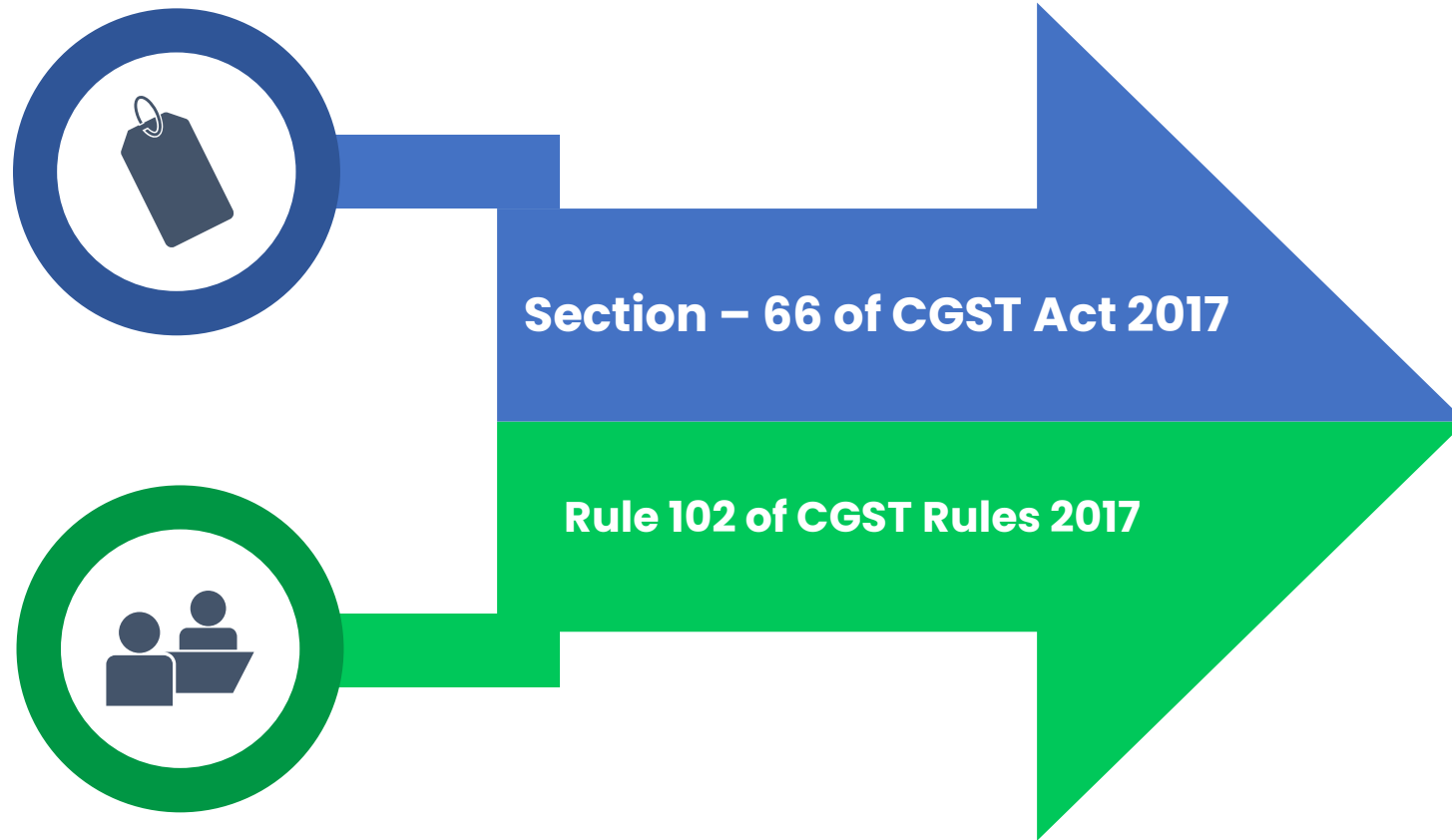
4 Q & A



# TYPES OF AUDIT

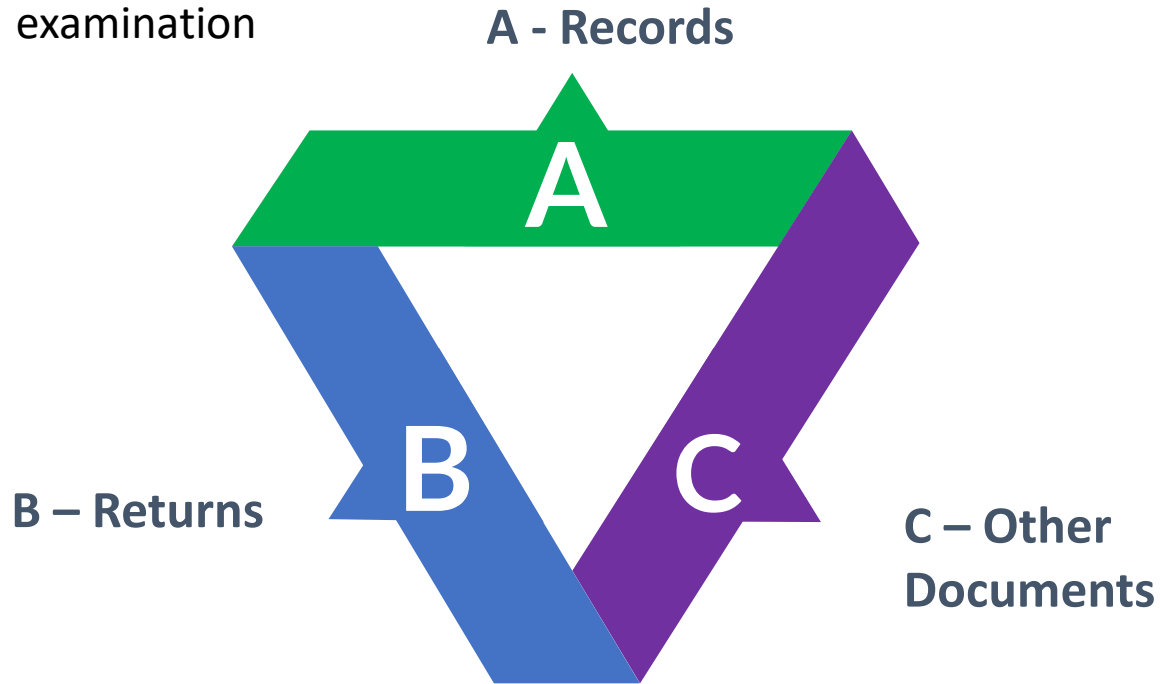


# PROVISIONS

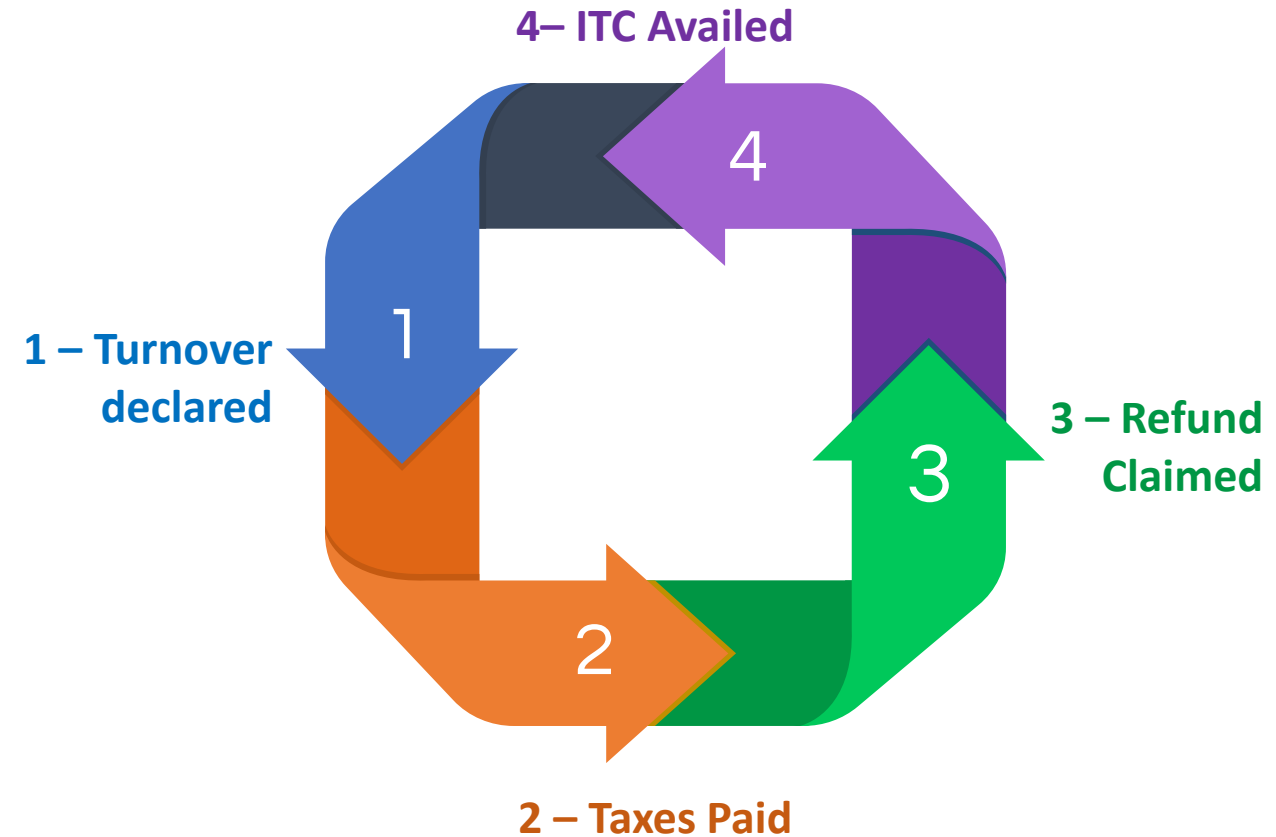


# AUDIT – SECTION 2(13)

Audit Means  
examination



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



To **assess his compliance** with the **provisions of this Act** or the rules made thereunder

# SPECIAL AUDIT SECTION 66

1

During Scrutiny or inquiry or investigation an officer not below the rank of AC on authorization by Commissioner will ask for a CMA/CA to verify records

4

Opportunity will be provided to the registered person for any material gathered during the audit

2

Submit the report within 90 days and can be extended by another 90 days by AC

5

Remuneration for the audit will be approved by Commissioner

3

Special audit will not have any impact on any other proceedings under this Act or any other Act

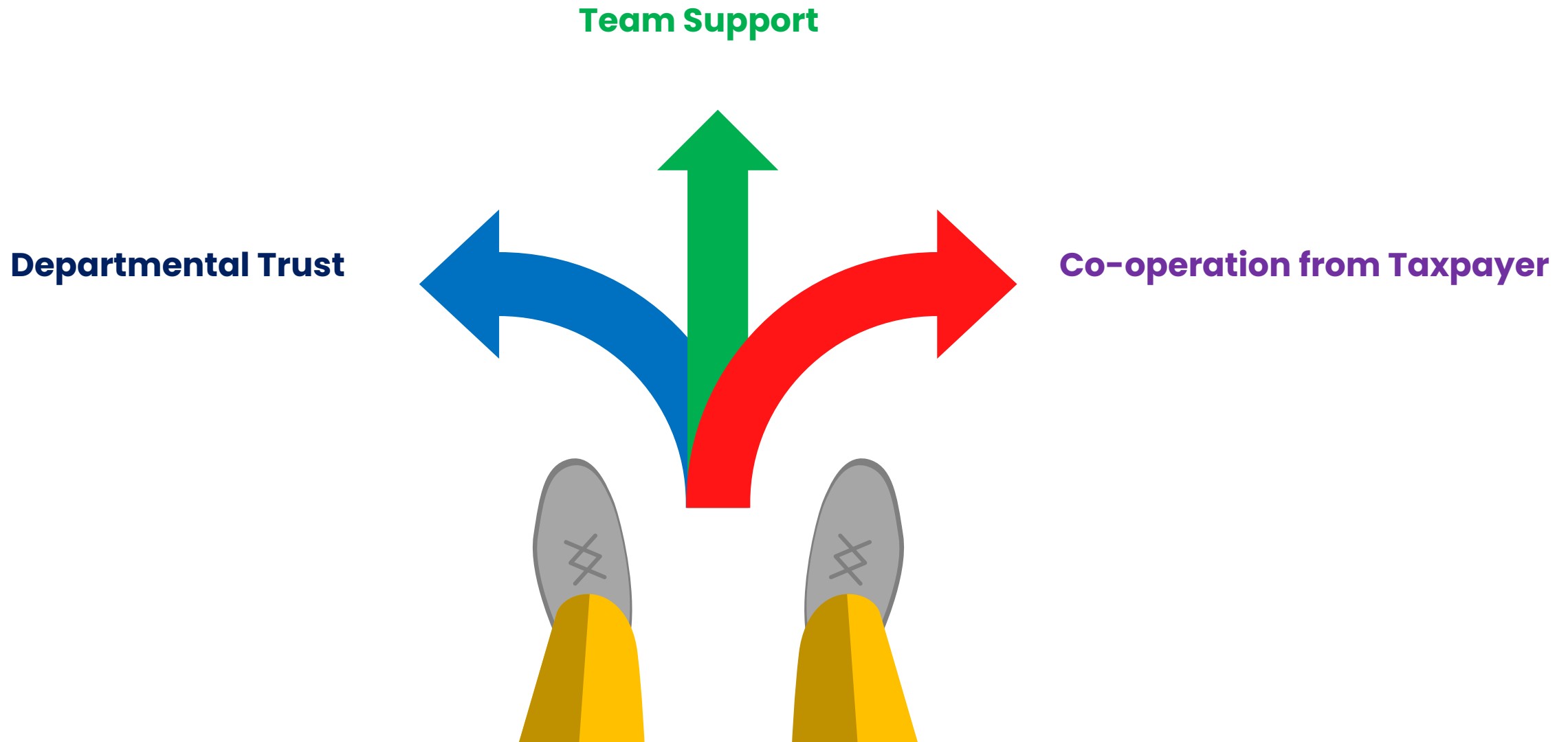
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If any material discrepancy is found proceedings can be initiated under Section 73 or 74

# SPECIAL AUDIT – RULE 102

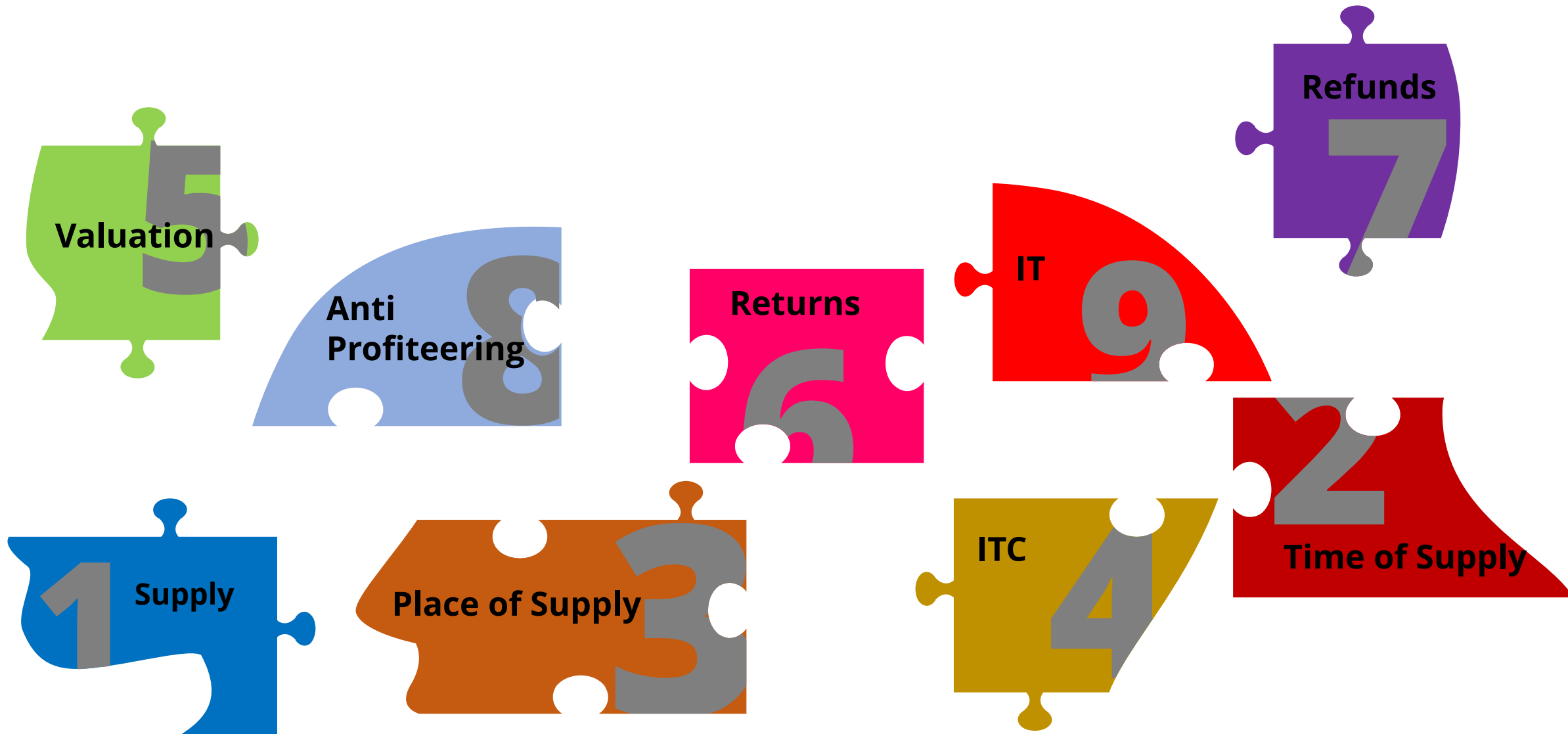


# **SPECIAL AUDIT – CHALLENGES**

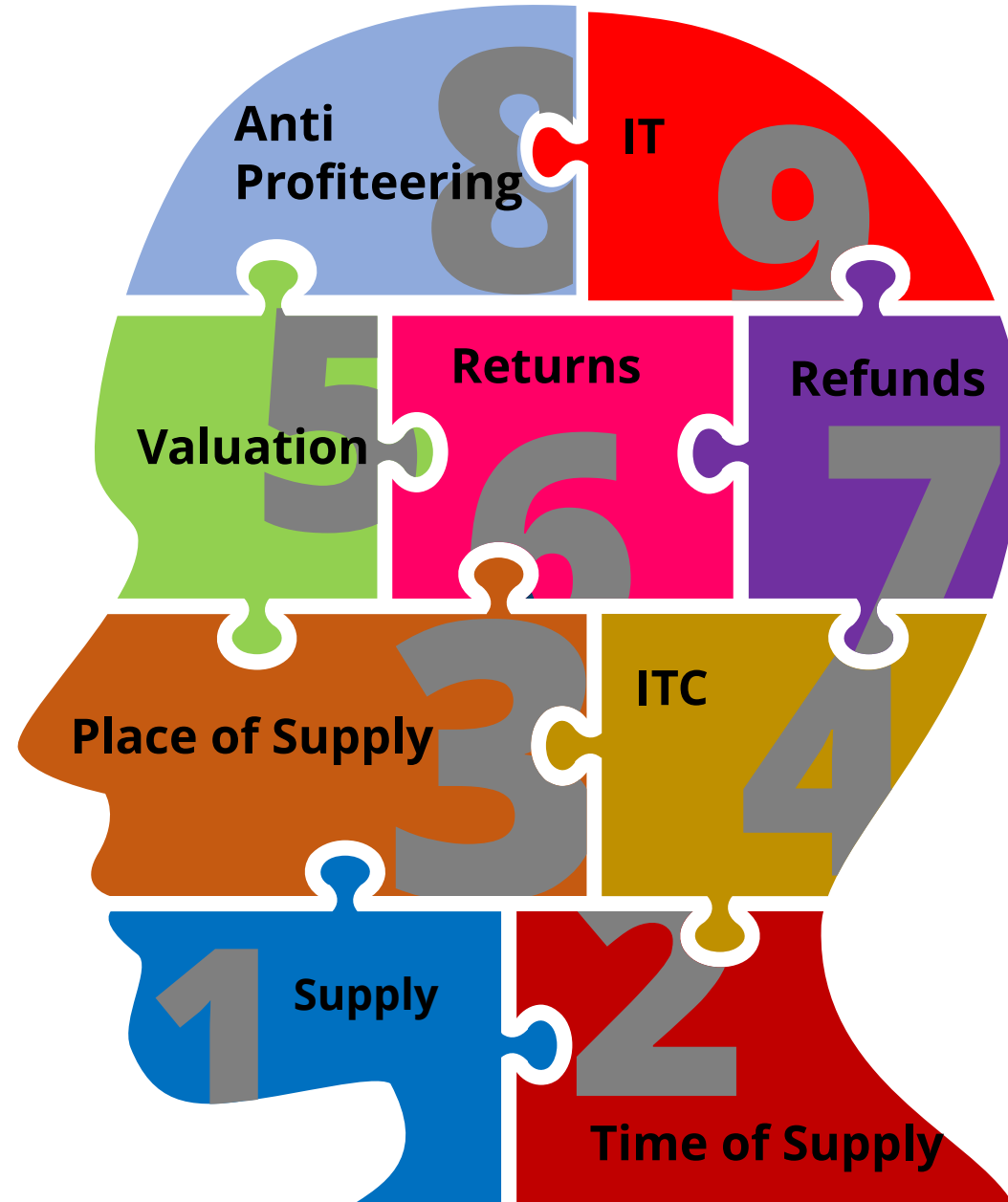




# SPECIAL AUDIT – COVERAGE



# SPECIAL AUDIT – COVERAGE



### Goods and Services have been supplied before the tax rate changes

i)) where the invoice for the same has been issued and the payment is also received after the change in rate of tax, the time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earliest

ii) where the invoice has been issued prior to the change in rate of tax but payment is received after the change in rate of tax, the time of supply shall be the date of issue of invoice; or

iii) where the payment has been received before the change in rate of tax, but the invoice for the same is issued after the change in rate of tax, the time of supply shall be the date of receipt of payment;

## **Time of Supply of Goods or Services for Tax Rates Changes – Section 14**

- **Goods and Services have been supplied before the tax rate changes**
- **Rate is decreased from 28% to 18%**

<b>Sl. No</b>	<b>Date of change in Tax Rate</b>	<b>Date of Supply of Goods</b>	<b>Date of Issue of Invoice</b>	<b>Date of Receipt of Payment</b>	<b>Time of Supply</b>	<b>Reason</b>
<b>1</b>	1-Jan-18	25-Dec-17	20-Jan-18	25-Jan-18	<b>20-Jan-18</b>	<b>Earliest of the Invoice or Payment date</b>
<b>2</b>	1-Jan-18	25-Dec-17	24-Dec-17	25-Jan-18	<b>24-Dec-17</b>	<b>Date of Issue of Invoice</b>
<b>2</b>	1-Jan-18	25-Dec-17	20-Jan-18	10-Dec-17	<b>10-Dec-17</b>	<b>Date of Receipt of Payment</b>

### Goods and Services have been supplied after the tax rate changes

i) where the payment is received after the change in rate of tax but the invoice has been issued prior to the change in rate of tax, the time of supply shall be the date of receipt of payment

ii) where the invoice has been issued and payment is received before the change in rate of tax, the time of supply shall be the date of receipt of payment or date of issue of invoice, whichever is earlier; or

iii) where the invoice has been issued after the change in rate of tax but the payment is received before the change in rate of tax, the time of supply shall be the date of issue of invoice:

## **Time of Supply of Goods or Services for Tax Rates Changes – Section 14**

- Goods and Services have been supplied after the tax rate changes
- Rate is decreased from 28% to 18%

Sl. No	Date of change in Tax Rate	Date of Supply of Goods	Date of Issue of Invoice	Date of Receipt of Payment	Time of Supply -	Reason
1	1-Jan-18	25-Jan-18	20-Dec-17	20-Jan-18	20-Jan-18	Date of Receipt of Payment
2	1-Jan-18	25-Jan-18	24-Dec-17	22-Dec-17	22-Dec-17	Earliest of the invoice or payment date
2	1-Jan-18	25-Jan-18	22-Jan-18	10-Dec-17	22-Jan-18	Date of issue of Invoice

# SPECIAL AUDIT – COVERAGE

## Section 37 – 48

Verify if returns are filed within the due dates and interest if paid as per the provisions if not along with late fee .



## Rules 46 – 55

Verify if relevant documents are issued for all the transactions as per the provisions .



## Section 16 & 17

Verify if Input tax credit is claimed as per Provisions – eligibility / blocked / restricted .



## Section 7

Supply – all transaction are classified as supply as per GST



## Section 12, 13 & 14

Verify if the tax invoice is issued as per provisions of Time of Supply



## Section 10 to 14 IGST Act

Verify if the provisions of place of supply are followed or not



An OEM gives Ipad to the dealer for attaining the target of selling 1 ton cement during the monsoon season.

The OEM purchases and gives Ipad to the dealer?

Q1. Can the OEM take ITC on the ipad purchased and given to the dealer?



## SPECIAL AUDIT – COVERAGE

A Ltd is based out of Bangalore and orders pvc from C Ltd from Chennai ₹2,500 per ton.

The contract says Ex-works C Ltd.'s Factory

Q1. What is the place of supply? Why? Under Which provisions?

Q2. What are the applicable taxes?

## **SPECIAL AUDIT – COVERAGE**

B Ltd is running software company and for the server room, B Ltd has purchased and installed chilling machines to control the temperature of the Server Room?

Q1. Can B Ltd take input tax credit of the Chiller?

Q2. If yes, under which provision and if not no under which provision?

Q3. If it not No, what should be treatment of ITC already claimed in your observations/report?

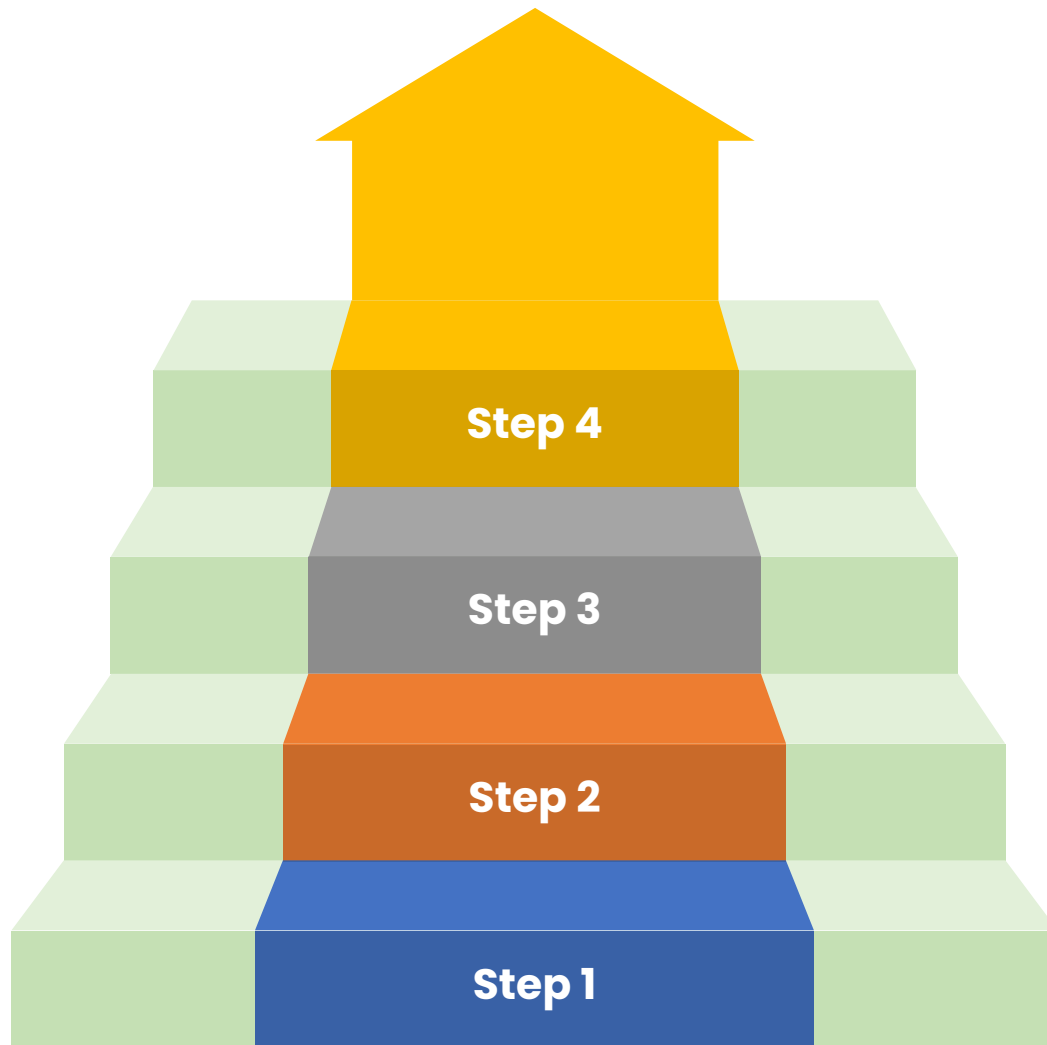
## SPECIAL AUDIT – COVERAGE

(119) "works contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

(c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

# SPECIAL AUDIT – COVERAGE



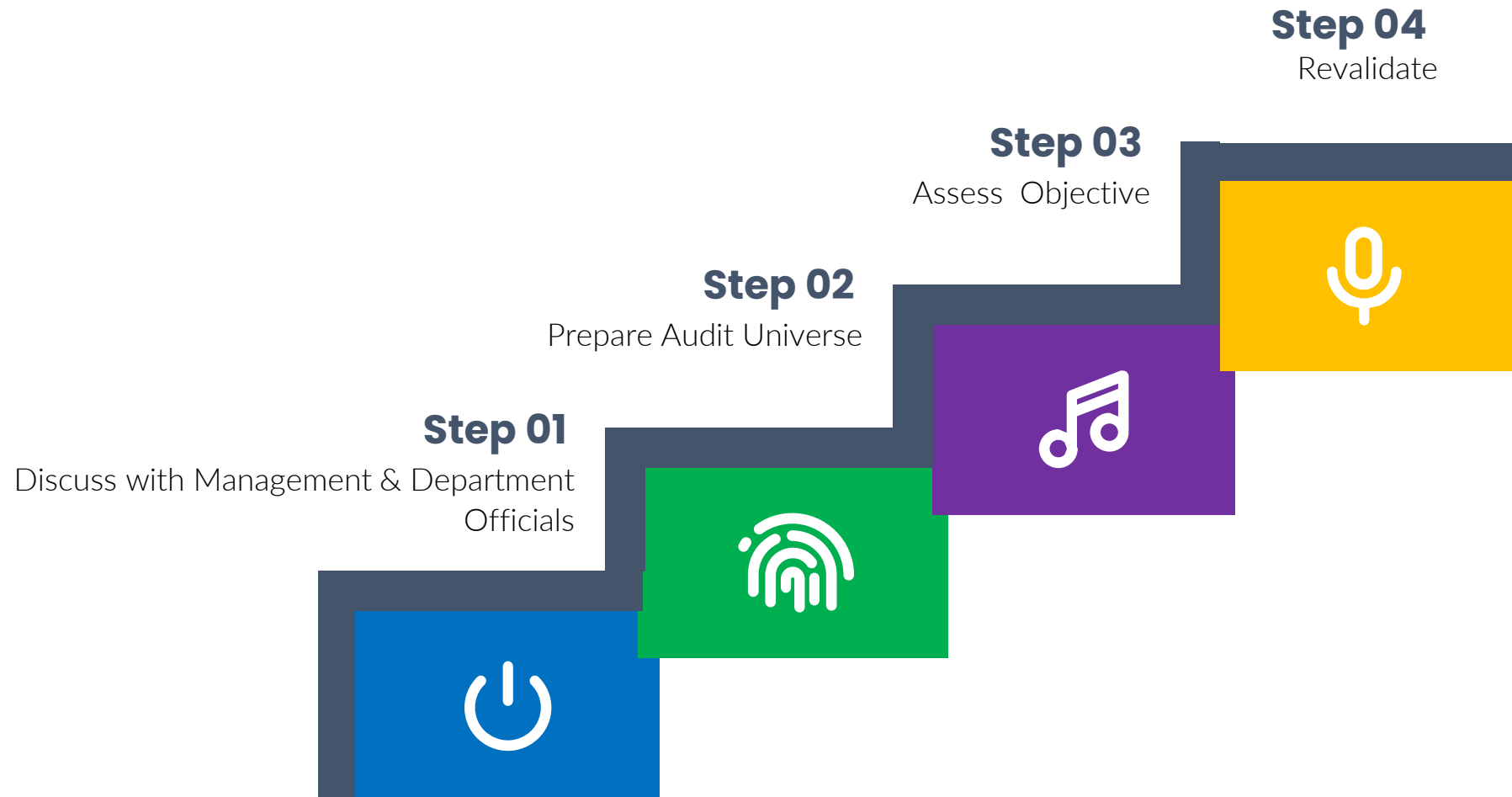
Depute Team and Complete the Audit

Take the Taxpayer in to Confidence

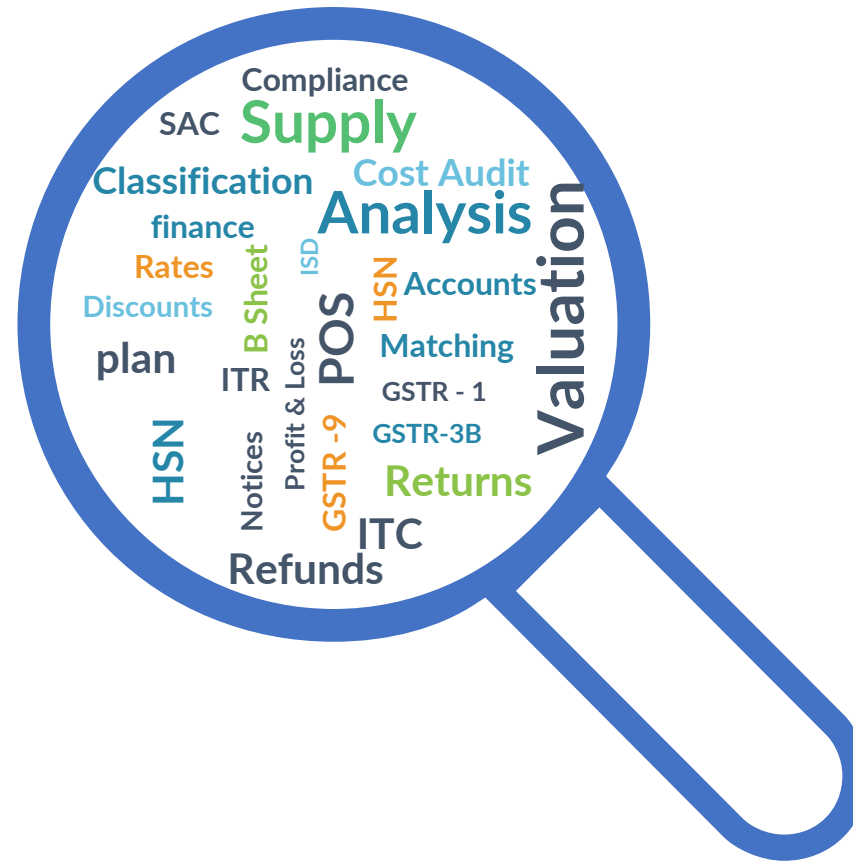
Understand the Requirements

Identify the Need of the Department

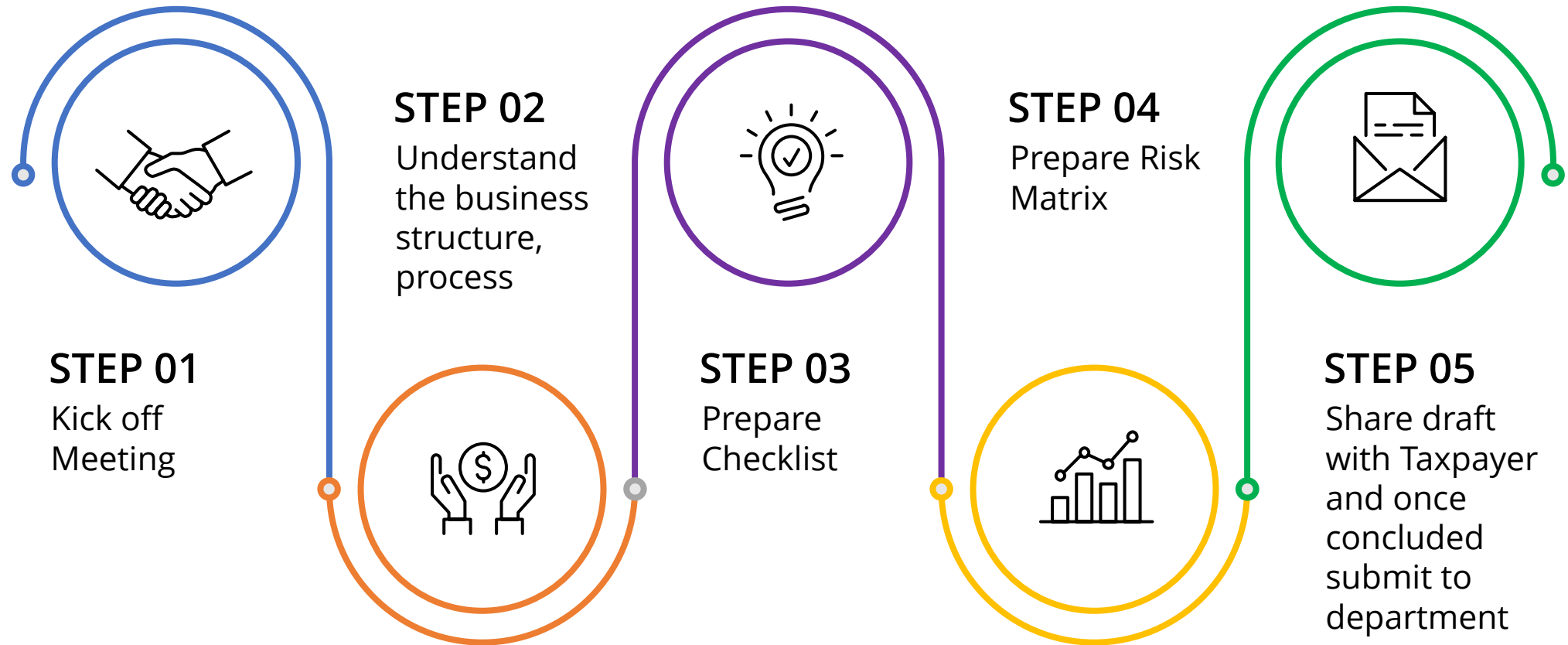
## Preparation Steps



# AUDIT UNIVERSE

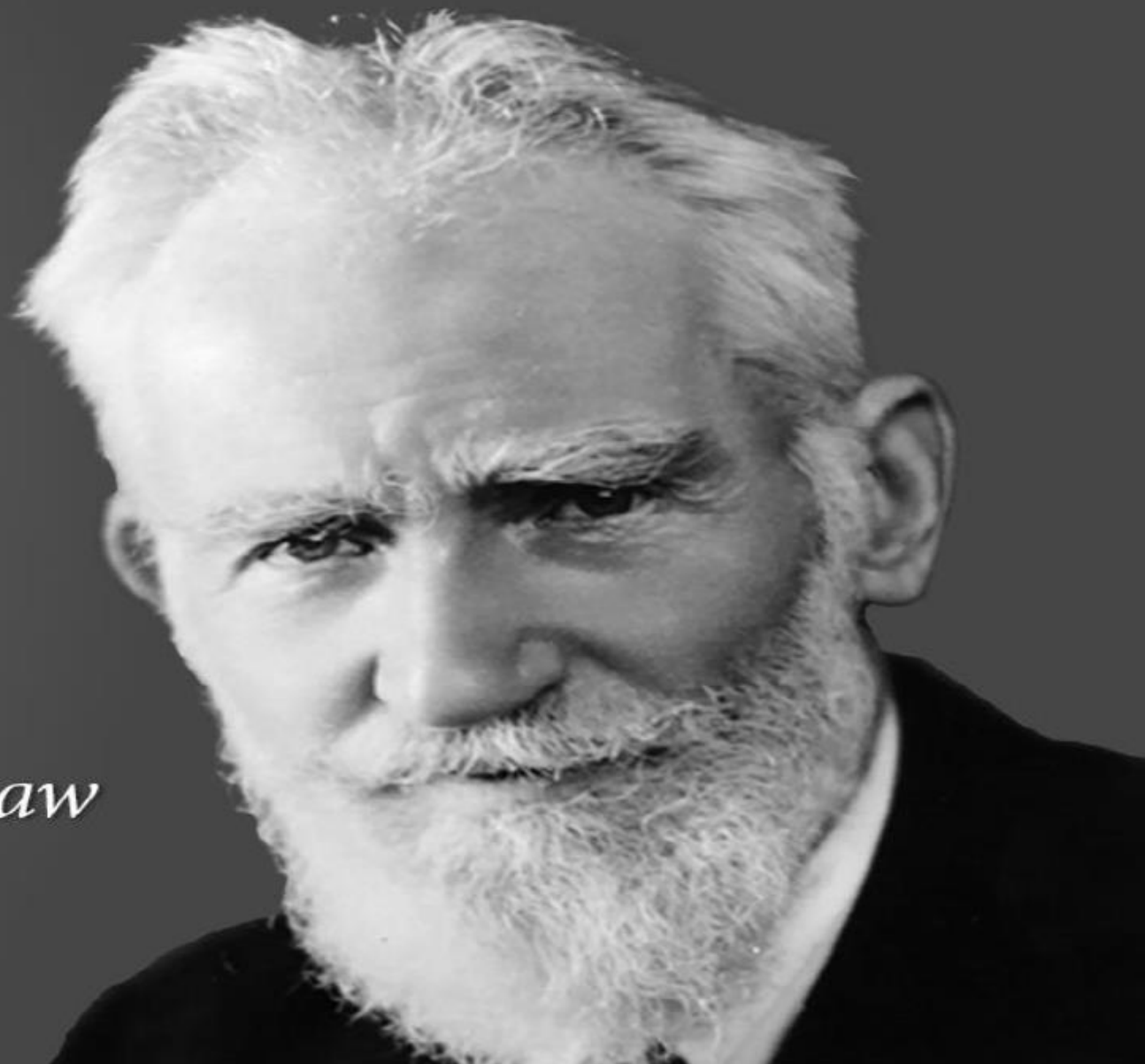


# SPEICAL AUDIT METHODOLOGY



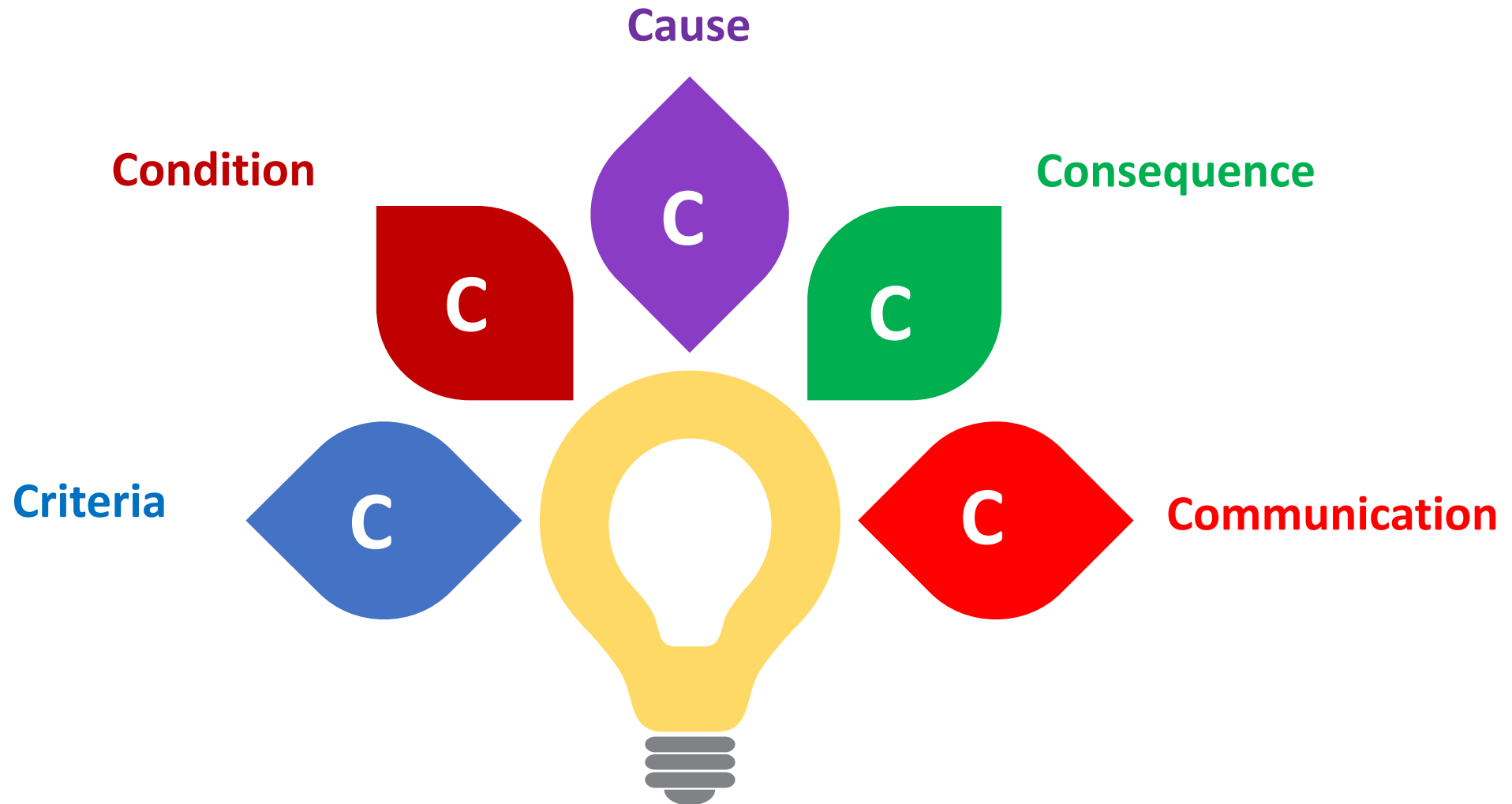
“The single biggest  
problem in  
communication is  
the illusion that  
it has taken place.”

*~ George Bernard Shaw*





# 5 C'S OF SPECIAL AUDIT REPORTING









# SPECIAL AUDIT REPORT

## Special Audit Report – Essentials

Accurate	Objective	Clear	Concise	Constructive	Complete	Timely
Free from errors and distortions and faithful to the underlying facts	Fair, impartial, and unbiased and is a result of a fair-minded and balanced assessment of all relevant facts and circumstances	Easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information	To the point, avoid unnecessary elaboration, superfluous detail, redundancy, repetitiveness and wordiness	Helpful to the auditee /client and the organization and leads to improvements where needed	Lacking nothing that is essential to the target audience and includes all significant and relevant information and observations to support recommendations and conclusions	Opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action

SPECIAL AUDIT REPORT

Special Audit – Executive Summary Sample

Sr. No.	Audit Observation	Action Plan	Risk Rating
1			
2			
3			
4			
5			
6			

“If you talk to a man in  
a language he understands,  
that goes to his head.  
If you talk to him in his  
language, that goes to  
his heart.”

**Nelson Mandela**



# Empanelment

# SPECIAL AUDIT – ELIGIBILITY

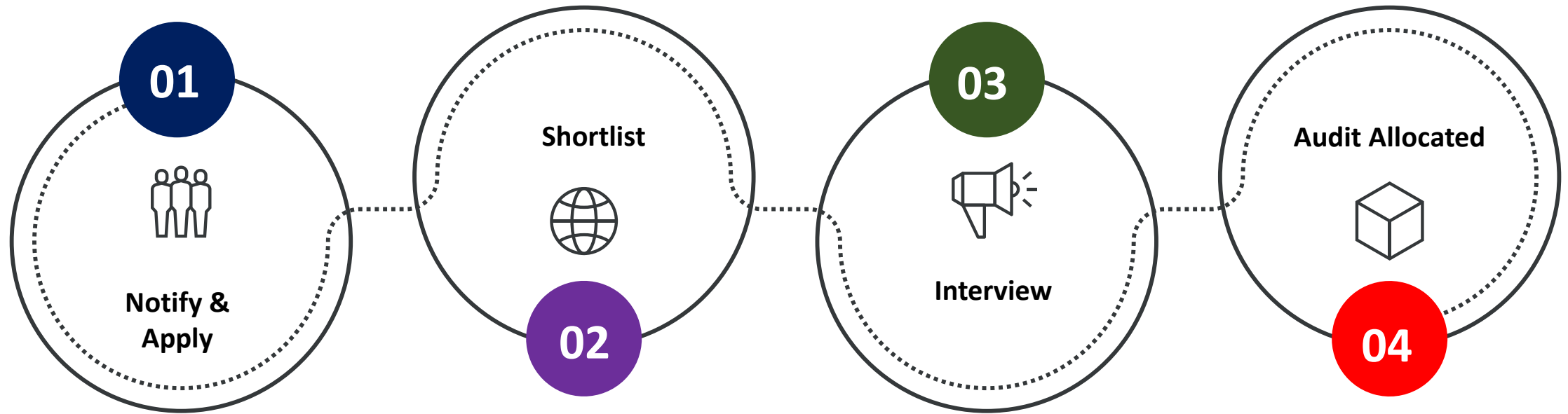
1. Be a member of the CA,/ICWA and should have valid full time Certificate of practice issued by the respective institutions

2. Possess experience of at least five years of practice in the field of Central Excise, Service Tax and GST matters:

3. iii. Not have been held guilty of any professional misconduct under the Cost and Works Accountants Act, 1959 (as amended) or Chartered Accountants Act. 1949 (as amended) during past five years or penalized under Chapter V of the Finance Act, 1991 or Customs Act, 1962 or Central Excise Act, 1944 or The Central Goods & Services Tax Act, 2017

4. Not be facing any investigation or enquiry by the CBIC or any of its subordinate offices for many violations under the Service Tax Law or the Customs Act, 1962 or the Central Excise Act 1944 or The Central Goods & Services Tax Act, 2017.

# SPECIAL AUDIT – EMPANELMENT PROCESS



# SPECIAL AUDIT – AUDITOR OBLIGATIONS



Audit should be conducted based on the Reference Communicated

He may be required to travel to the Taxpayer's Location/s

Tax on Tax / Tax Cascading

Audit should be conducted in co-ordination with department office and he/she may also visit

The nominated Auditor should not have any business relation with the taxpayer directly

Audit report has to be submitted within the time period to Commissioner – detailed report

On receipt of audit report, the department may call for clarifications and if required have to complete the audit



# SPECIAL AUDIT - FEES

## Audit Fee – As per Delhi Audit II

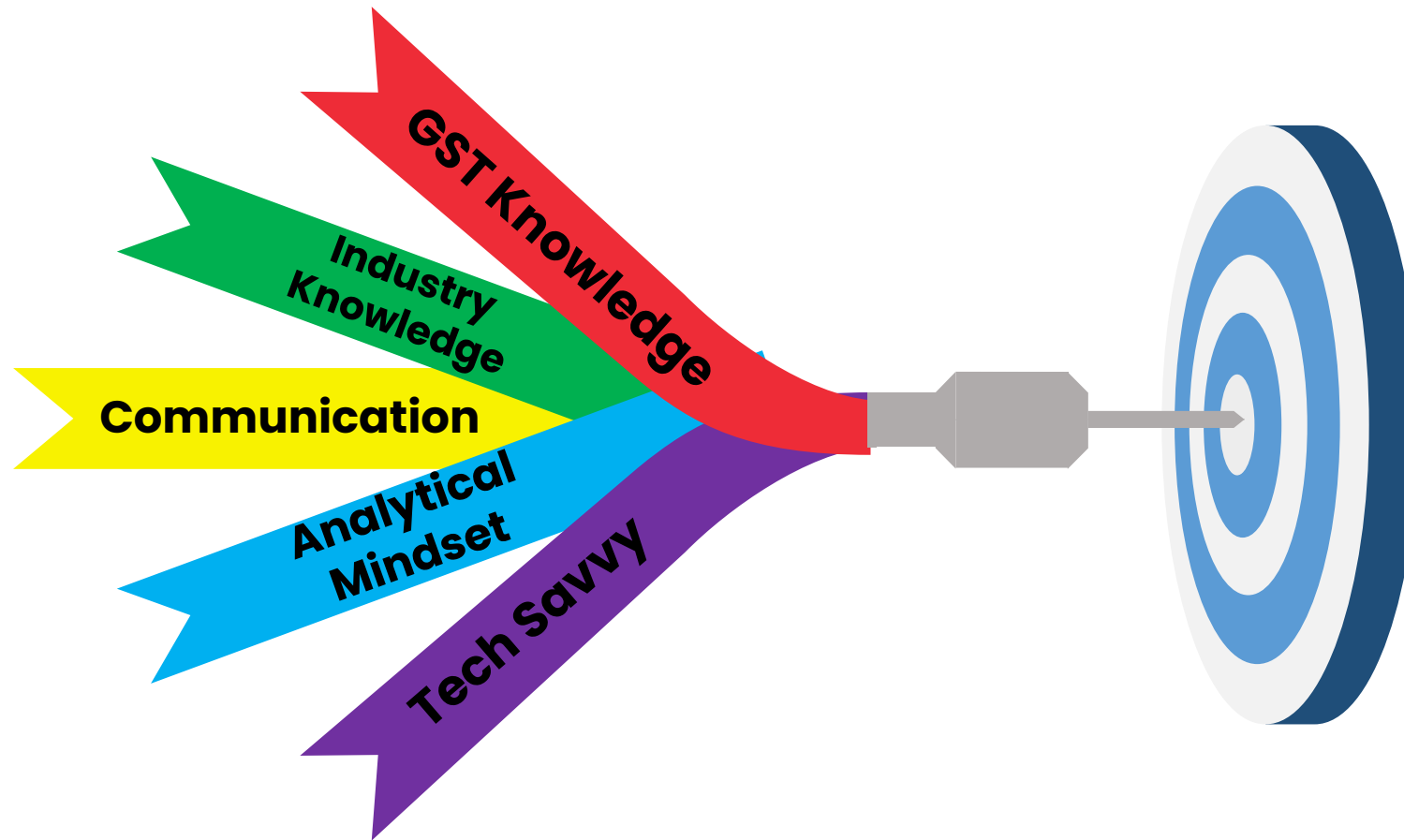
Sr.No	Tax Paid by the Unit	Fee Amount
1	Up to ₹ 10 Crores	₹ 15,000
2	₹ 10 Cores to ₹ 100 Crores	₹ 25,000
3	₹ 100 Cores to ₹ 200 Crores	₹ 35,000
4	Above ₹ 200 Crores	₹ 50,000

# SPECIAL AUDIT - FEES

## Audit Fee – As per Kolkata

Sr.No	Tax Paid by the Unit	Product Range	Fee Amount
1	Up to ₹ 60 Crores	Up to 2 products More than 2 products	₹ 25,000 ₹ 35,000
2	₹ 60 Cores to ₹ 250 Crores	Up to 2 products More than 2 products	₹ 35,000 ₹ 50,000
3	₹ 250 Cores to ₹ 500 Crores	Up to 2 products More than 2 products	₹ 50,000 ₹ 75,000
4	Above ₹ 500 Crores	Up to 2 products  More than 2 products	₹ 50,000 + ₹ 10,000 for additional ₹ 100 crores ₹ 75,000 + ₹ 10,000 for additional ₹ 100 crores

# **SPECIAL AUDIT – SUCCESS SUTRAS FOR SPECIAL AUDITOR**



## **Case Studies**

# CASE STUDIES

1. During the audit at the auditee's place you find from the trail balance there is a fire accident and the auditee has claimed from the Insurance Company.
  - a. How many legs of transactions are to be verified and what are they?
  - b. What are the probable areas which are to be verified from the GST Perspective?
  - c. What should be the treatment of Input Tax Credit on the inventory and fixed assets destroyed in the fire accident?

2. In the pharma company you have visited you observed that the auditee is sending the material on job work and from there only he is invoicing?
  - a. What should be your checklist?
  - b. If you have to update the same in observations, who will you do it and under what sections?

# CASE STUDIES

3. The promoter signed personal guarantees on 17<sup>th</sup> April 2015, and 2<sup>nd</sup> May 2017 to an extent of Rs 100 Crores and ₹ 235 Crores.

As on the date of your visit the outstanding loan amount for the first guarantee is ₹ 24 cores and for the second one it is ₹ 198 crores.

- a. What is your take on the taxation of personal guarantees by the director?
- b. If taxable which rule will you invoke to do the valuation and what will be GST Rate?

4. In your audit observations you have come across that the assessee has paid an amount of ₹ 5 crores per anum to the local area development board for the land acquired by the state industrial corporation apart from the land cost?

- a. Is GST applicable on the amount paid to the Local Area Development Authority?, if yes, under which provision and if no under which provision?

# MISSION ACCOMPLISHED



# CMA B Mallikarjuna Gupta

*B. Com, ACMA, MFM, M.IOD, PGDCS*



Qualified Online proficiency exam for Independent Directors

Over two decades of experience in the areas of Taxation, GST, Product Management, Finance, Accounting, Costing, Sales, Operations, Marketing, Project Accounting ERP & BI Implementation. Worked for Oracle, Infor, Logo, Systime & Dempo Group. Designed & implemented a Costing system for a Steel Plant, Biaxially oriented polypropylene (BOPP) & Upholstery plant.

**vCFO, GST, Product Management & Management Consultant**

**Founder & COO for NextGen Learning & Consulting Private Limited**

**Advisor @ COMQUO, a startup in compliance profiling of business partners**

## Member of

- GST Grievance Redressal Committee – Telangana
- Task Force Member – MSME & Startups @ ICAI for 2021-22
- Expert Member for Technology Development Fund Scheme of DRDO
- GST & Customs Committee, Corporate Laws & IBC Committee at FTCCI Federations of Telangana Chamber of Commerce & Industry)
- Resource Person/Faculty - Institute of Cost Accountants of India, Regional Training Institute (CAG Auditors), National Academy of Customs, Indirect Taxes & Narcotics, Indian Navy and National Institute for Micro Small and Medium Enterprises (NI-MSME)
- Served as Member at various Committees constituted by Institute of Cost Accountants of India from time to time on Indirect Taxes, GST & other committees at Hyderabad Chapter
- Served as a Member at National Council for Indirect Taxes at ASSOCHAM

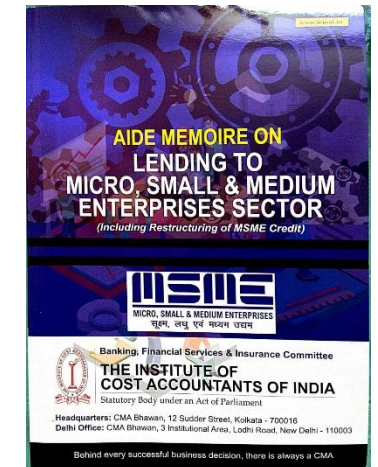
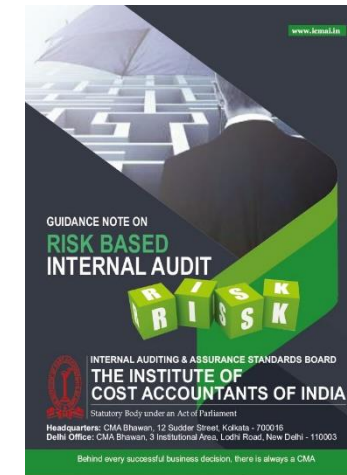
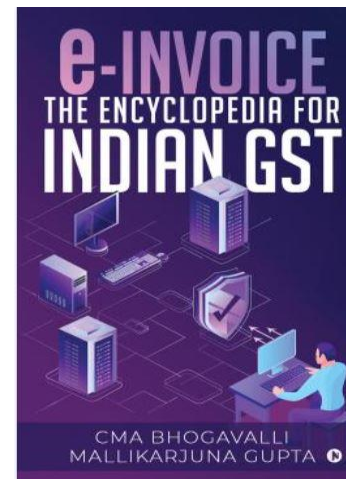
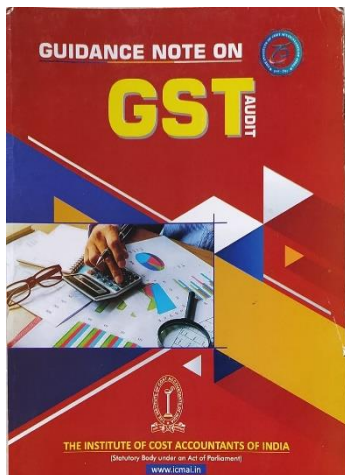
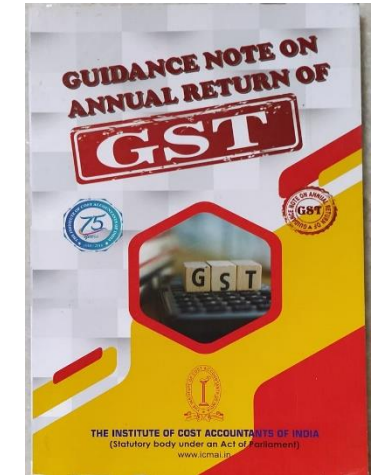
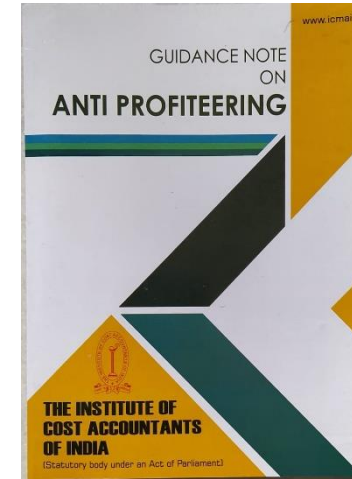
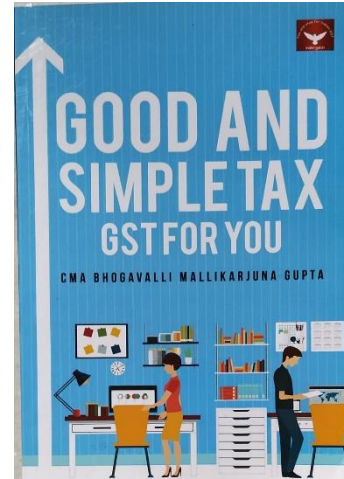
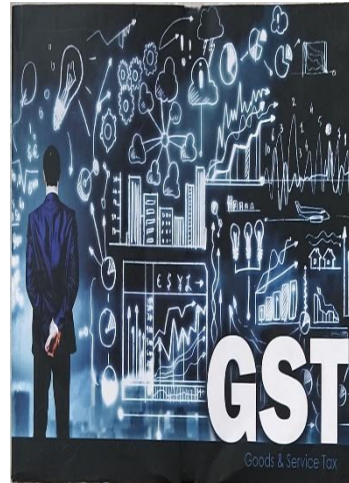
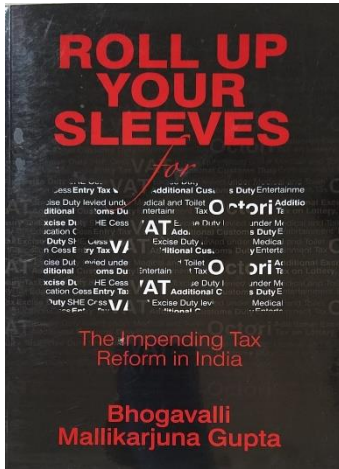


## AWARDS/RECOGNITIONS

- Conferred the Indian Achievers' Award 2021 - In Recognition of Outstanding Professional Achievement & Contribution in Nation Building
- GUINNESS WORLD RECORDS titleholder as a team member for the “Most people running up a single mountain.”
- Selected one among the 100 Digital Influences for 2020 by [YourStory](#)
- His podcasts find place in the top 10 Taxation podcasts in India for 2021
- Recognized by the Cyberabad Police for Traffic Volunteering for 100 hours & for conducting the drunken drive.



# Books – Authored/Co Authored







presented to

**CMA Bhogavalli Mallikarjuna Gupta**

Founder  
**INDIA-GST.IN**

In Recognition of Outstanding Professional Achievement &  
Contribution in Nation Building

Harish Chandra  
President

S. Ravi Shankar  
Hon. Secretary



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YOURSTORY PRESENTS

**100**

DIGITAL INFLUENCERS

INTRODUCING

**MALLIKARJUN GUPTA**

# My Coordinates



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