



CMA Kedarnath

Hyderabad



The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Tax Research Department

Behind every successful business decision, there is always a **CMA**

Session on Duties and Responsibilities of Auditor & Assessee ~ ACGAAP-7



Introduction to GST

GST is known as the Goods and Services Tax

- ❖ It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, CST, Services tax, Entertainment Tax and Luxury Tax etc.
- ❖ The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.
- ❖ Goods and Services Tax Law in India is a
- ✓ **Comprehensive:** GST has wider in scope
- ✓ **Multi-stage:** GST is levied on the value additions at each stage, i.e., the monetary value added at each stage to achieve the final sale to the end customer
- ✓ **Destination Based Tax:** GST is called as destination-based tax or consumption-based tax, it means Goods and Service Tax is levied at the point of consumption.

Benefits of GST



Duties of Assessee under GST

- ❖ GST Registration
 - ✓ Regular
 - ✓ Composition
- ❖ Issue Tax Invoice
- ❖ Debit Note & Credit Note
- ❖ Collect the Tax from the customers
- ❖ Pay Tax to the Government
- ❖ File the Returns
 - ✓ Monthly & Quarterly : Regular Dealers
 - ✓ Quarterly & Annual: Composition Dealers
 - ✓ Annual Return
 - ✓ Final Return
- ❖ Statutory Compliances

Duties of Assessee under GST

Let us understand the

- ✓ Section 22
- ✓ Section 23
- ✓ Section 24
- ✓ Section 31
- ✓ Section 34
- ✓ Section 16
- ✓ Section 39
- ✓ Section 44
- ✓ Section 45
- ✓ Section 54
- ✓ Section 59: Self-Assessment

Non-Compliances will leads to

Section 46: Notice to Return Defaulters

Section 47: Levy Late Fees

Section 50: Interest on delayed payment of tax

Section 60: Provisional Assessment

Section 61: Scrutiny of Returns

Section 62: Assessment of Non-Filers of Returns

Section 63: Assessment of unregistered persons

Section 64: Summary assessment in certain special cases

Section 65: Audit by tax authorities

Introduction to Input Tax Credit (ITC)

- ❑ ITC is the most common word with which we associate present day taxation system
- ❑ Lesser the cascading effect of the taxes, better is the taxation system
- ❑ In an ideal taxation system, taxes never form part of cost of product, until the goods or services reach the ultimate consumer
- ❑ This is possible only when credit of any taxes paid in the course of business, by the recipient of goods or services is allowed to him, in the name of “credit”
- ❑ Thus, entire taxes paid by him are set off against his output tax liability and there is no cascading impact of taxes.

Introduction to Input Tax Credit

- ❖ Input Tax Credit is the Tax that a business pays on its
 - ✦ Purchases
 - ✦ Services and
 - ✦ Capital Goods
- ❖ ITC makes flow of credit across an entire supply chain a seamless process
- ❖ The fundamental aspect under GST regime is tax is charged on value addition at each stage of supply
- ❖ The supplier is eligible to claim ITC on its purchases and utilize the same by way of setting off while discharging the Output tax in the course of furtherance of business.
- ❖ With the help of ITC the cost of the goods / or services are available at cheaper and effective price
- ❖ GST Law does **not** require '**one to one**' co-relation between inputs / input services and final products / services
- ❖ Any eligible ITC can be used for payment of tax on any taxable output supply

Introduction to Input Tax Credit

❑ Input Tax Credit:

- ✓ Input tax credit is nothing but “credit of the input taxes”

❑ Input Tax:

- ✓ Tax on Inputs

❑ What are the Inputs for a business

- The inputs for a business can be divided into 3 parts
 - ✓ Input Goods other than capital goods i.e., Raw Materials etc.,
 - ✓ Input Services
 - ✓ Capital Goods

S.16(1): Eligible to claim ITC

- ✚ Registration under GST
- ✚ Goods/Services to be used in the course or furtherance of business

Note:

- ✓ As a thumb rule, a registered person would be eligible to claim credit of Input Tax
- ✓ Un-registered person would not be able to claim Input Tax Credit for the period prior to GST Registration
- *However as per section 18(1)(a) and 18(1)(b) entitle a person to claim credit of tax paid on inputs*
- *which are procured during the period, when such person was unregistered person and*
- *such inputs are held in stock or inputs contained in semi-finished or FG held in stock*

S.16(2): Basic Conditions for availing ITC

The registered person will be entitled to ITC on a supply

if **ALL** the following **4** conditions are fulfilled

(a) Possession of Tax Invoice or Debit note

(aa) The details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37

(b) he has received the goods or services or both

(c') Tax leviable on supply actually paid to **Government**

(d) he has furnished the return under section 39

S.31 Tax Invoice:

- Name, address and GSTIN of the supplier
- A consecutive serial number not exceeding 16 characters, unique for a financial year
- Date of Invoice issue
- Name, address and GSTIN, if registered of the recipient
- Name and address of the recipient and the address of delivery
- The name of the State and its code
- HSN code for Goods & SAC for Services
- Description of goods or services
- Quantity in case of goods and unit
- Total value of supply of goods or services or both
- Taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- Rate of tax
- Amount of tax charged in respect of taxable goods or services
- Place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
- Address of delivery where the same is different from the place of supply;
- Whether the tax is payable on reverse charge basis; and
- Signature or digital signature of the supplier or his authorised representative:

Tax Invoice:

- ❖ Apart from the above in the case of the export of goods or services, the invoice shall carry an endorsement –

“SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX”

(or)

“SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”,

- as the case may be.

❖ S.34 Concept of Debit Note:

The debit note is similar to the tax invoice and it contains all the details similar to the tax invoice but the heading replaces with “Debit Note” instead of tax invoice.

Conditions for Availing ITC - Provisional ITC:

✓ From 09th Oct 2019 to 31st Dec 2019:

Invoices not uploaded by supplier then recipient shall not claim in excess of **20%** of Eligible credit reflected in GSTR-2A [vide Notification no. 49/2019 - CT dt. 09.10.2019]

✓ From 01st Jan 2020 to 31st Dec 2020:

Invoices not uploaded by supplier then recipient shall not claim in excess of **10%** of Eligible credit reflected in GSTR-2A [vide Notification no. 75/2019 - CT dt.26.12.2019]

✓ From 01st Jan 2021 onwards:

Invoices not uploaded by supplier then recipient shall not claim in excess of **5%** of Eligible credit reflected in GSTR-2A

✓ From 01st Jan 2022 onwards:

ITC claims will be allowed only if it appears in GSTR-2B – it means ITC claim restricted to the extent auto populated in 2B/3B

Let's have Q&A

- ❖ Mr. X is a registered dealer writes a letter to the department officer stating that he missed claim the ITC for the month of March-2023, to the tune of Rs 10,00,000, based on this situation, answer the below questions:
 - I. Can the officer has the power to grant ITC and allow & credit to dealer's ECL ?
 - II. How to claim and what is the mechanism to claim the ITC ?
 - III. What is the last date / due date to claim the missed ITC for the FY 2022-23 ?
 - IV. Let's say Mr. X kept hold Mar-2023 GSTR-3B Return due to reconciliation issue and filed on 31.12.2023, does he violated any section and what are the consequences ?
 - V. Mr. X is filed GSTR-9 for the FY 2022-23 during the month of Aug-2023 say on 15th Aug 2023, can he eligible to claim the missed ITC in the GSTR-9 ?
 - VI. If Mr. X filed GSTR-9 of FY 2022-23 on 15.08.2023 then what is the due date for claiming of ITC ?
 - VII. What is the mechanism to reverse the excess ITC claimed in the GSTR-3B return ?
 - VIII. Can we, reverse the excess ITC pertaining to FY 2022-23 in the GSTR-9 or any other mechanism available to do the same ?

S.16(4): Extended Time Limit till 30th Nov of NFY >>>>> LA

S. N	Particulars	Section	Old Time Limit	New Time Limit
1	ITC availment	Section 16(4)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
2	Reporting of credit notes	Section 34(2)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
3	Amendment in GSTR 1	First proviso of Section 37(3)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year
4	Amendment in GSTR 3B	Proviso of Section 39(9)	Due date of furnishing GSTR-3B of September month of next financial year	30 November of next financial year

Sequential Filing of GSTR-1 and GSTR-3B :

This restriction is already in place on GST portal, now legalized under the GST Act

- ❖ GSTR 1 cannot be furnished if GSTR 1 for earlier period is not furnished {Section 37(4)}
- ❖ GSTR 1 cannot be furnished if GSTR – 3B for earlier period is not furnished
- ❖ GSTR-1 mandatory before filing of return in Form GSTR-3B. {Section 39(10)}.
- ❖ Way Bill can't be generated if GSTR-3B return pending for last 2 months
- ❖ If Way Bill Portal Blocked then file GSTR-3B returns up to date and “**Un-Block E-Way Bill**” by Self
- ❖ Way Bill can be cancelled within 24 hours of the Generation

Lets have Q&A

1. M/s Reliance Industries Ltd purchased Audi Car for Rs 1 Cr and Tax paid on such car is Rs 28,00,000 for official use of its director Mr. Mukesh Ambani
2. ITC on cars purchased by a car dealer for sale to customers
3. ITC on cars purchased by a company engaged in renting out cars for transportation of passengers
4. Mr. K is a Cost Accountant and registered dealer in GST, purchase KIA Sonet Car, can he eligible to claim ITC on car ?
5. ITC on cars purchased by a car driving school
6. M/s ABC Ltd purchased Swaraz Mazda Mini Bus where the seating capacity is 18 members including driver for transportation of its employees from their residence to office and back
7. ITC on trucks purchased by a company for transportation of its finished goods
8. ITC on aircraft purchased by a manufacturing company for official use of its CEO
9. ITC on aircraft purchased by an Aviation School providing training on flying aircrafts
10. ITC on general insurance taken on a car used by employees of a manufacturing company for official

Lets have Q&A

1. ITC on general insurance taken on a car used by employees of a manufacturing company for official purpose
2. ABC Ltd orders snacks for the employees who works in evening shift, can ITC eligible to claim on such food items ?
3. M/s. XYZ Ltd purchases Vessels for imparting the navigation on vessels to the prospective staff, can they eligible to claim ITC
4. Mr. X undergoes plastic surgery for his face to look more beautiful, can he eligible to claim ITC on payment made to specialist on surgery ?
5. Mr. K is CA incurred repairs and maintenance on motor car for Rs 50,000 and paid GST 18% i.e., Rs 9,000 can he eligible to claim ITC on such charges ?
6. M/s. Handpicked stores is a Composition dealer engaged in the business of supply of gift articles and fashion design items, during the month of May-2022 they purchased 10 Lakhs stock for GST paid @ 12% what is eligible ITC?
7. Mr. Y purchased one laptop and uses for his personal purpose, can he eligible to claim ITC ?
8. ABC Ltd launched new product called as product X, for a quantity of 1,000 articles, in order to grab the market they started giving free samples to the public to the tune of 100 articles. In order to manufacturer they incurred Inputs and Input services and paid taxes on that is Rs 1,00,000

Lets have Q&A

1. ITC on maintenance & repair services availed by a company for a truck used for transporting of Goods?
2. AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the sub-contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. Can ITC eligible to AB & Co.,?
3. ITC on outdoor catering services availed by a company, for its Annual day event organized for its employees and family members?
4. ITC on outdoor catering service availed by a company to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is ?
5. M/s Jay Ltd. being a manufacturer purchased machinery worth Rs 10,00,000 on which GST Rs 1,80,000 is paid. What are the options manufacturer ?
6. Repairs and maintenance expenses incurred for motor car by a elite motor driving school, can they claim ITC on such repairs?
7. Do we need to disclose Blocked credit / Ineligible ITC in GSTR-3B return & how ?
8. How to show reversal of ITC in GSTR-3B (or) how to disclose credit notes in GSTR-3B Return ?

Duties and Responsibilities of Auditor :

According to Section 2(13) of the GST Act, 2017, '**Audit**' implies –

(a) Detailed examination of records, returns and other documents –

- (i) maintained/furnished by a taxable person,
- (ii) under GST law/any other law or rules;

(b) Verification of correctness of –

- (i) turnover declared;
- (ii) taxes paid;
- (iii) refund claimed;
- (iv) input tax credit availed; and
- (v) assessment of compliances with provisions of GST law and rules.

Duties and Responsibilities of Auditor :

GST audit is not only

- ✓ reconciliation of tax liability

&

- ✓ payment

It also signifies

- ✓ compliance of the provisions of the GST act,
- ✓ law and
- ✓ provisions etc.

Relevant Provisions :

Section 35(5): 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.

Section 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): 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.

Duties of Auditors:

- ❖ The auditor is responsible for detection of non-compliance, procedural irregularities and leakage of revenue through examining Trial Balance, Journal, Ledger, Invoice, Stock Ledger, Annual Financial Accounts & other audit reports.
- ❖ They have to analyze Part V of Form GSTR 9C using their professional diligence, skill, knowledge
- ❖ Their role is not like watchdog, rather they have only recommendatory power while furnishing their report.
- ❖ They have to take care to determine of any additional tax which may be payable by the taxpayer in his opinion.
- ❖ Auditor has to look whether the company is maintaining their accounts in ERP System properly or not and whether the maintenance procedure of accounting system of company is reliable or not.
- ❖ Auditor has to evaluate Internal Control System to determine the necessity of conducting audit in detailed manner.

Duties of Auditors:

- ❖ An auditor may gain about a working procedure of a company
- ❖ By discussion with various managers
- ❖ By going through documents like procedure manuals, organization charts, job descriptions, flow-charts and records maintained.
- ❖ In the case of first audit, the auditor needs to maintain detailed written record of his observations of the internal control system.
- ❖ During these verifications, the following information should be correctly obtained and recorded.
 - ✓ Whether any input is exclusively consumed for fully exempted supplies.
 - ✓ Whether any inputs consumed for fully exempted as well as taxable supplies.
 - ✓ Whether any Capital goods on which input credit is availed are exclusively used for fully exempted supplies.

Responsibilities of Auditor :

- ❖ Auditor's main responsibility in relation to fill up GSTR-9C is to reconcile the audited financials with the annual return (GSTR-9)
- ❖ The auditor has to determine whether any amount is to be paid by taxpayer that has been arisen due to non-reconciliation between the audited financials with the annual return or not.
- ❖ The Auditor has to disclose any leakage in revenue which may result in non payment or lower payment of tax liability.
- ❖ The auditor will have to conclude his view on all issues raised during audit with due evaluation of the applicable GST provisions and also keeping in mind prevalent trade practices, the economic realities as also the industry and business environment in which the Taxable Person operates.
- ❖ Auditor may have to physically examine various documents for maintaining transparency in total audit procedure.

Scope of the Auditor :

- ❑ The scope of Auditor is restricted to reconcile the turnover reported in financial accounts and the GST returns and also report any the additional liability which may arise due to non-reconciliation.
- ❑ He is not required to play the role of an investigator to determine undisclosed supplies which are neither reported in the annual return nor in the financial statements.
- ❑ The auditors have to disclose only the errors or omissions which has been noticed by him at the time of performing audit as per the standards of auditing.

Role of the Auditor :

An auditor is required to verify the following matters before finalisation of the books of accounts Analysis of GSTR -9C.

Registration

- ☐ Whether registration has been obtained as per GST Law
- ☐ Whether the amended certificate has been issued by giving effect of correction/changes made in the particulars incorporated in the application form.
- ☐ Whether details of each place of business have been incorporated in the registration certificate?

Transitional Credit

- ☐ Whether transitional credit as carried forward in Form GSTRAN-I is in accordance with the law?
- ☐ Whether credit carried forward inappropriately has been reversed along with applicable interest?

Valuation and Payment of tax liability and review of GST returns filed

- ☐ Whether valuation has been done as per provisions of law
- ☐ Whether applicable taxes both under forward charge and reverse charge has been correctly discharged under the correct head or not
- ☐ Whether there is any short payment of tax
- ☐ Whether payment of GST under forward Charge as well as reverse charge has been made on time

Role of the Auditor :

- ☐ Whether GST is paid on receipt of advances, requisite documents have been issued at the time of receipt thereof and proper adjustment thereof has been made at the time of issuance of final invoice?
- ☐ Whether interest liability has been discharged in case of delay in payment of taxes?
- ☐ Whether all GST returns have been filed correctly with complete particulars and within the due date?
- ☐ Whether GSTR 1 and GSTR3B tallies with the books of account?

Input Tax Credit

- ☐ Whether ITC has been availed as per the provisions of law?
- ☐ Whether reversal of ITC claimed done if payment not made within 180 days?
- ☐ Whether the supplier has reported the invoice on the basis of which ITC has been availed by the recipient in his GSTR-1 and the same is being reflected in Form GSTR-2A of the recipient?

Turnover

- ☐ Whether the turnover declared in the GST returns are in consonance with that declared in the books of accounts?

Refund

- ☐ Whether the refund claimed, if any has been claimed in pursuance of the provisions of GST law?
- ☐ Whether the documentation aspect necessary for filing the claim for refund has been undertaken in accordance with law?

Role of the Auditor :

Documents:

- ☐ Whether the tax invoice, debit and credit notes, receipt voucher etc. have been issued in accordance with the provisions of law?
- ☐ Whether all the tax invoices and other documents issued for the supply of goods or services or both have been accounted for in the books of accounts and reported in the GST Returns?
- ☐ Whether e-way bill, wherever applicable has been issued and duly recorded in the books of accounts and also to verify whether there is any variance in the data recorded in the e-way bill and the corresponding tax invoice?
- ☐ Whether HSN code has been correctly mentioned (specifically in case of mandatory cases i.e. where the turnover exceeds Rs. 1.5 crores) in the documents issued or received under the Act?
- ☐ In case of any difference arising at the time of reconciliation of ITC claimed between GSTR 3B & GSTR 2A has been done
- ☐ Whether any action has been taken against such suppliers who do not pay GST on time and/or file returns on time since it is necessary to protect the interest of the recipient of goods or

Duties and Responsibilities of Auditor :

services or both .

- ❑ Whether the provisions of Section 171 of the CGST Act 2017(Anti profiteering) has been followed and accordingly that benefit of the additional input tax credit as well as the benefit of the tax reduction is passed on?

Imports related verification

IGST paid details is to be checked with respect to ITC in the ICEGATE portal pertaining to Import of goods..

Exports related verification

- ❑ From ICEGATE Portal, details of Shipping Bill Number, Shipping Bill Date, Port Code, Invoice Number & Invoice date are to be checked.
- ❑ Some corrections may be needed either in the books of accounts, returns or there may be requirement of amendment in Shipping bills.



*{Arise, awake and stop not until the goal is reached}
- Swami Vivekananda*

Thank You



By

CA CMA Kedarnath

Mobile # 9985162155

kedarnath.potnuru@gmail.com

CMA Kedarnath

25-Sep-23

35