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PRESENTED BY CMA AMIT DEY

(ALL INDIA RANK - INTER - 33RD & FINAL - 20TH)

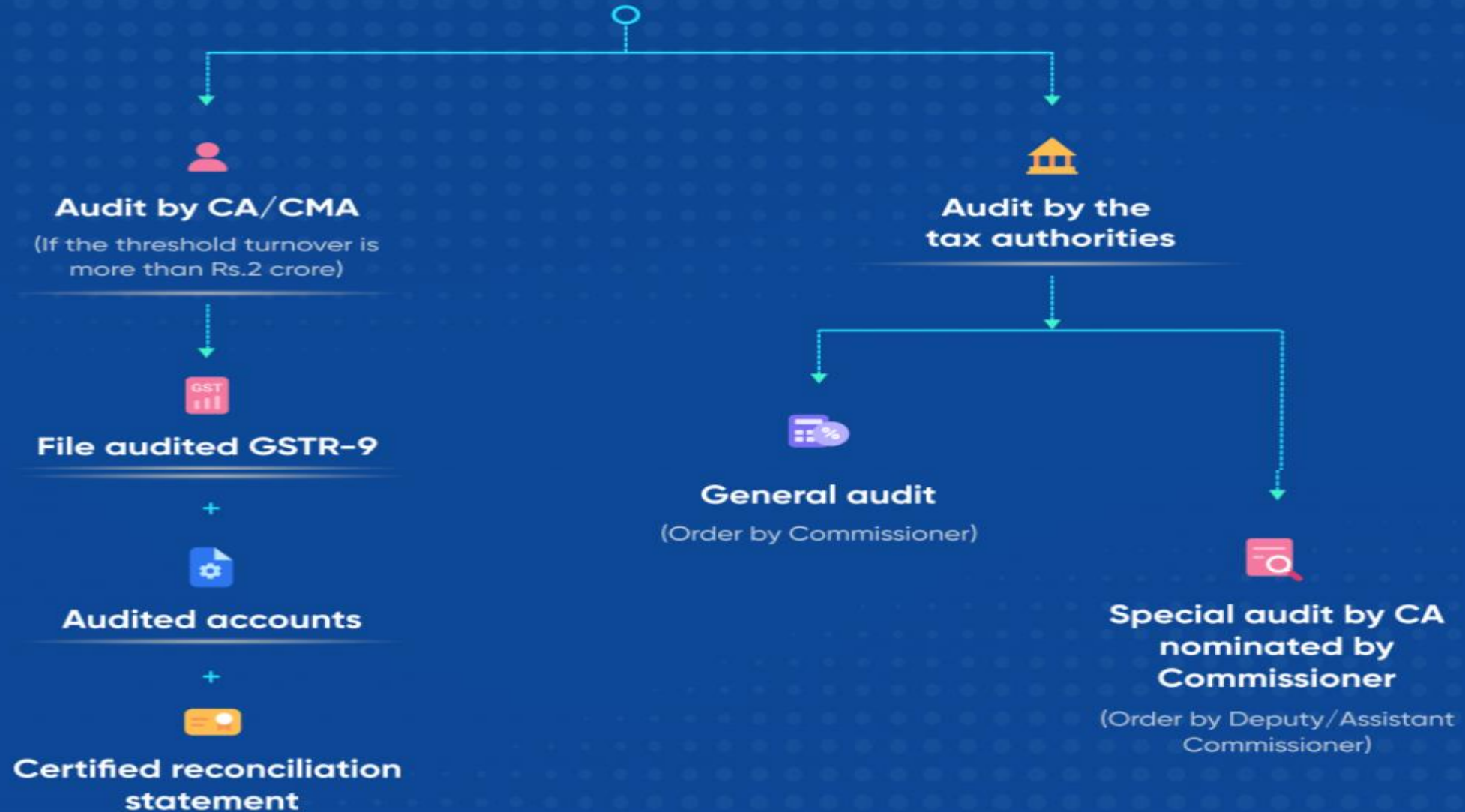
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Introduction to GST Audit

Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

The GST Audit can be of the **different types** as depicted in the flowchart given below:

Audit under GST



THRESHOLD LIMIT FOR AUDIT UNDER GST BY CA/CMA

Every GST registered taxable person whose turnover during a financial year exceeds the prescribed limit is subject to audit. As per the current notified GST Rules, the turnover limit is above **Rs 2 crore**.

Such businesses must get their books of accounts audited by a chartered accountant or a cost accountant. Such taxpayer shall electronically file:

- An **annual return using the Form GSTR 9** by **31st December of the next Financial Year**
- The **audited copy of the annual accounts**
- A **certified reconciliation statement in the form GSTR-9C (Threshold Limit – 5 crores)**, reconciling the value of supplies declared in the return with the audited annual financial statement

RECTIFICATIONS TO RETURNS AFTER GST AUDIT

If any taxable person, after furnishing a GST return discovers any omission/incorrect details (from results of audit), he can rectify subject to payment of interest.

However, no rectification will be allowed after the earlier of:

- (i) the due date for filing of return for the month of September or second quarter, (as the case may be), following the end of the financial year,
or
- (ii) the actual date of filing annual return.

FOR EXAMPLE, Mr 'X' found during the audit that he has made a mistake in Oct 2020 return. X submitted an annual return for FY 2020-21 on 31st December 2021 along with audited accounts.

He can rectify the Oct 2020 mistake within- 20th Oct 2021 (last date for filing September return) or 31st December 2021 (the actual date of filing of relevant annual return), whichever is earlier, i.e., his last date for rectifying is 20th Oct 2021.

AUDIT BY TAX AUTHORITIES

The Commissioner of CGST/SGST (or any officer authorized by him) may conduct an audit of a taxpayer. The frequency and manner of an audit will be prescribed later.

- A notice will be sent to the auditee **at least 15 days before**.
- The audit will be **completed within 3 months from the date of commencement** of the audit.
- **The Commissioner can extend the audit period for a further six months with reasons recorded in writing.**

OBLIGATIONS OF THE AUDITEE

The taxable person will be required -

- ▶ to **provide the necessary facility to verify the books of account/other documents** as required
- ▶ **to give information and assistance for timely completion of the audit.**

FINDINGS OF AUDIT

On conclusion of an audit, the officer will inform the taxable person within 30 days of:

- the findings,
- their reasons, and
- the taxable person's rights and obligations

If the audit results in the detection of unpaid/short paid tax or wrong refund or wrong input tax credit availed, then demand and recovery actions will be initiated.

ITEMS INCLUDED WHILE CALCULATING **AGGREGATE TURNOVER**

- All taxable (inter-state and intra-state) supplies other than supplies on which reverse charge is applicable
- Goods supplied to/received from the job worker on a principal to principal basis.
- Value of all export/zero-rated supplies.
- Supplies of agents/job workers on behalf of the principal.
- All exempt supplies. For example, agricultural produce supplied along with branded ready-to-eat food.
- All taxes other than those covered under GST. For example, entertainment tax paid on the sale of movie tickets.

ITEMS **EXCLUDED** WHILE CALCULATING TURNOVER

- Inward supplies on which tax is paid under **reverse charge**.
- All taxes and cess charged under Goods and service tax like **CGST, SGST or IGST, compensation cess**.
- **Goods supplied** to or **received back** from a job worker.
- Activities which are neither supply of goods nor service under **schedule III** of CGST Act.

Difference between exempt supplies, non-GST supplies, nil-rated supplies and Schedule III supplies

Parameters for comparison	Exempt Supply	Zero-rated Supply	Nil-rated Supply	Non-GST Supply	Schedule III Supply
Meaning	Supplies taxable under the GST Act but are specifically exempted from GST by notification.	The supplies defined in the IGST Act under this definition are zero-rated if sales as well as the inputs or input services, used in such sales, can be free of GST.	The tax rate under the GST Act is notified as '0' for these supplies.	These supplies are not finding mention in the GST law as these are constitutionally kept out of GST. Hence, are out of scope.	These supplies if not had been included in Schedule III, would have been considered as supply and would be subject to levy of GST
Does it fall in the scope of supply under GST?	Yes	Yes	Yes	No	No
ITC availability	Not available	Available	Available	Not available	Not available
Examples	Fresh fruits, Fresh milk, Curd, Bread, etc.	Exports and Supplies made to SEZ or SEZ Developers, of both goods and services.	Grains, salt, Jaggery, etc.	Alcohol used for human consumption, Natural gas, Petrol and its products, electricity, etc.	Services of a funeral and burial, certain actionable claims, etc.

LIST OF ENTRIES IN **SCHEDULE III** OF THE CGST ACT

- **Employee Services under Employment Agreement**
- **Services by Court or Tribunal**
- **MP or Person in a constitutional post or government post** : The Members of Parliament, State Legislature, Panchayats, Municipalities and other local authorities
- **Funeral and related services**
- **Sale of land and/or completed building**
- **Actionable claims apart from the lottery, etc** : Actionable claims means those claims which can be enforced only by legal action or a suit. For example - **bill of exchange, promissory note**

Qualification of GST Auditor & Eligibility

Only a Chartered Accountant or a Cost Accountant can perform a GST Audit u/s 35.

Points to Note:

- An internal auditor cannot parallelly be appointed as a GST Auditor.
- The GST Act does not allow a GST practitioner to perform the audit. The power to audit is granted only to a Chartered Accountant or Cost Accountant who is in practice or is an employee of a firm of Chartered Accountants or Cost Accountants.
- Where an organisation or an entity has multiple branches registered under GST in different states/UTs, the total aggregate turnover of all such branches is considered while calculating the threshold limit of Rs. 2 crores.
- So, if the cumulative turnover of all the branches exceeds Rs. 2 crores^, then the GST audit is applicable to each of these branches, irrespective of whether the turnover of a particular branch is less than the threshold. In such cases, one can appoint either one dedicated auditor for all branches or separate auditor for each branch.
- Where multiple branches have different auditors, the Standards on Auditing: SA 299 — Responsibility of the Joint Auditors may apply for the purpose of reporting GST Audit observations & Reporting.

APPOINTMENT OF GST AUDITOR

A proprietor, partner or Board of Directors in case of a Company should appoint a GST Auditor at the beginning of the financial year.

ACCOUNTS TO BE TO BE REVIEWED BY GST AUDITOR:

- Sales register
- Stock register
- Purchase register and expenses ledgers
- Input tax credit availed and utilized
- Output tax payable and paid
- e-Way bills generated during the period under audit, if in compliance with rules.
- e-Invoices and IRN generated and kept on record
- Any documents that record communications from the GST department relating to the year.

Forms for Annual return and GST Audit

Type of taxpayer	Form to be filed
A Regular taxpayer filing GSTR 1 and GSTR 3B	GSTR-9
A Taxpayer under Composition Scheme	GSTR-9A (previously) Replaced by GSTR - 4
E-commerce operator	GSTR-9B (Yet to come into effect)
Taxpayers whose turnover exceeds Rs. 5 crore in FY	GSTR-9C

Review of comments by GST Auditor

The Auditor must report any tax liability pending for payment by the taxpayer, identified through the reconciliation exercise and observations made on GST audit. Taxpayers can settle taxes as recommended by the auditor in form DRC-03.

Documents to be furnished by the taxpayer

- Audited financial statements (which is PAN-based)
- Annual return in form GSTR-9 (for every GSTIN)
- Certified reconciliation statement in Form GSTR-9C, reflecting reconciled values of supplies and tax amounts declared in GSTR-9 compared to audited financials in Part-A, along with the audit report in Part-B.

Due dates for submission of GST Audit report

GSTR-9 and GSTR-9C are due on or before 31st December of the subsequent fiscal year. The due date can get extended through a CBIC notification.

Penalty for not submitting GST Audit report

There is no specific provision. Hence, it is subject to a general penalty of Rs.25,000.

FAQ

https://tutorial.gst.gov.in/userguide/returns/index.htm#t=FAQs_gstr9.htm



Thank You!

By **CMA** Amit Dey,
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