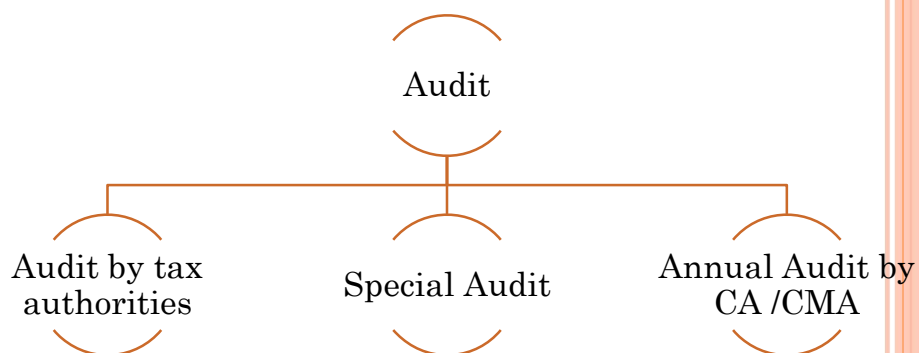


## AUDIT [SEC 2(13)]

**“Audit”** means

- The **examination of records, returns and other documents** maintained or furnished by the registered person under this Act or 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.**

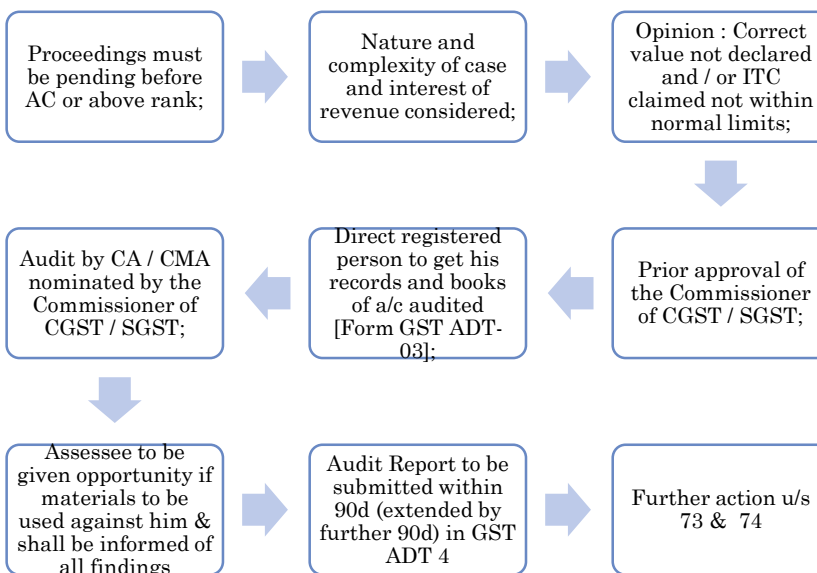
## Audit



## AUDIT BY TAX AUTHORITIES [SEC. 65]

- Commissioner of CGST / SGST or authorized officer;
- Audit shall be for a **financial year or multiples thereof**
- At the place of business of registered person / in their office;
- Notice to registered person at least **15 working days** prior to audit **[Form GST ADT-01]**;
- Audit to be completed within **3 months** from **Date of Commencement of Audit** (extended further by 6m by Comm.);
- Registered person to provide the required information and facility;
- Result of audit to be **intimated within 30 days** [Form GST ADT-02] and after opportunity further action may be taken u/s 73 and 74

## SPECIAL AUDIT [SEC 66]



## SPECIAL AUDIT [SEC 66]

- Spl Audit even if audit conducted under any other law
- Expenses of audit including remuneration to be determined and paid by the Commissioner.

## BACKGROUND – LEGAL PROVISIONS

### *Annual Return under GST (Sec.44)*

**Person liable for filing Annual Return:** Every registered person, (other than an ISD, person liable to pay tax u/s 51 and 52, a casual taxable person and a non-resident taxable person)

**DUE Date of filing:** Before the **31st day of December** following the end of such FY

Form of Filing: Electronically in **FORM GSTR-9** through the common portal

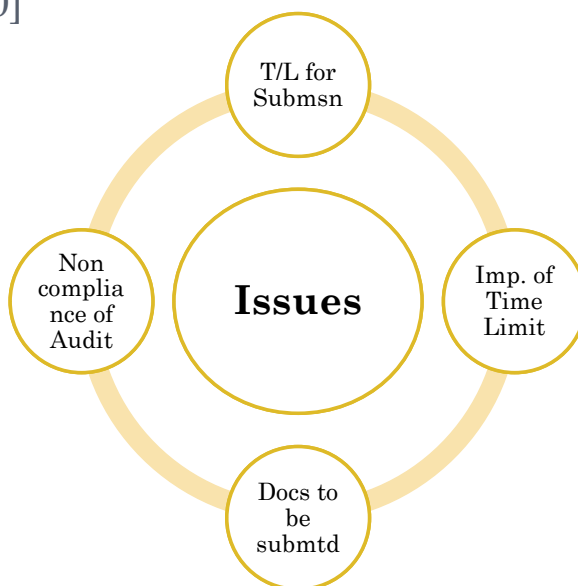
## AUDIT BY CA / CMA [SEC. 35(5) AND R.80]

- Every registered person whose turnover during a financial year exceeds the prescribed limit (**presently Rs. 5 Crore**) shall get his accounts audited by a CA or CMA
- He shall submit –
  - (a) Annual Return u/s 44
  - (b) Audited Annual Accounts along with
  - (c) A reconciliation statement **duly certified** reconciling the value of supplies declared in return with Audited FS and
  - (c) Such other documents / particulars as may be prescribed.
- The Audit Report with the Audited Annual Accounts to be submitted along with Annual Return on or before 31<sup>st</sup> Dec following the end of financial year in **Form GSTR 9C**.
- The contents of the **audit report and other particulars are as prescribed**

## AUDIT BY CA / CMA [SEC. 35(5) AND R.80]



## AUDIT BY CA / CMA [SEC. 35(5) AND R.80]



### RELEVANCE OF ANNUAL RETURNS

Sl. No	Category	Section Ref	Particulars	Relevant Date
1	AR	44(1)	Every RP	31 <sup>st</sup> December
2	AR	44(2)	Every RP + Audit u/s 35(5)	31 <sup>st</sup> December
3	ITC	16(4)	Time limit for availing ITC	DD u/s 39 for Sep or AR Date (Earlier)
4	CN	34(2)	Time Limit for issuing Credit Note	DOR u/s 39 for Sep or AR Date (Earlier)
5	BoA	36	Period of retention of records	72 months from DD for AR
6	GSTR	Prov. to 37(3)	Rectification of Errors and Omissions in Outward supplies (GSTR-1)	DOR u/s 39 for Sept or AR Date (Earlier)

RELEVANCE OF ANNUAL RETURNS				
Sl. No	Category	Section Ref	Particulars	Relevant Date
7	GSTR	Prov. to 38(5)	Rectification of Errors and Omissions in Inward supplies (GSTRR-2)	DOR u/s 39 for Sept or AR Date (Earlier)
8	GSTR	Prov. to 39(9)	Rectification of Errors and Omissions in Returns (GSTR-3)	DD u/s 39 for Sept or AR Date WIE
9	Assmt	62(1)	Assessment of non-filers of returns – Best Judgement Assessment (BJA)	5 years from DD u/s 44
10	Assmt	63	Assessment of URP – BJA	5 years from DD u/s 44
11	Assmt	73(10)	Determination of tax not paid or short paid- No fraud cases	3 years from DD u/s 44
12	Assmt	74(10)	Determination of tax not paid or short paid- Fraud cases	5 years from DD u/s 44

## AUDIT BY CA / CMA - NATURE

- Income Tax Audit & GST Audit are independent
- Who can be appointed as GST Auditor
- “True and Fair View” or “True and Correct” View
- GST Audit is in the nature of Quasi-Assessment
- Dept’s power to do Audit after GST Audit?

## AUDIT BY CA / CMA – AUDIT CHALLENGES

- GSTIN wise Income and Expenditure to be derived
- Reconciliation to be done for every GSTIN separately
- For Income it's a 3 Way reconciliation between GSTR 1, GSTR 3B and Accounts
- For Expense / ITC it's a 3 Way reconciliation between GSTR 2A, GSTR 3B and Accounts
- Internal Review / Audit may be done to ensure a Few major items to be considered where non compliance is high are factored...

15

## RECONCILIATION ITEMS





## ITEMS NOT IN P & L A/C

1. **Inter Branch Supply of Goods / Services**
  2. **Treatment of Advances Recd for Services**
  3. **Treatment of Free Samples / Gift under GST**
  4. **Treatment of Discounts**
  5. **Principal to Agent Transactions**
- 

## ITEMS PRESENT IN P & L A/C

1. **Taxable Supply - Rate – 1/2017 & 11/2017 CTR**
  2. **Exempt Supply – Reversal of ITC [Rule 42/43]**  
Notfn 2/2017 and 12/2017 - CAVEAT
  3. **Invoice – Valuation – Additions / Deletions**
  4. **Place of Supply – Intra State vs Inter State**  
CAVEAT
  5. **Other Income**
  6. **Reconciliation with GSTR 1 / 3B / Annual Return**
- 

## OTHER INCOME - P & L A/c

1. Interest Income
2. Dividend Income / Income from Partnership Firm
3. Capital Gain - Sale of Securities / Mutual Funds
4. Profit on Sale of Fixed Assets
5. Capital Gain - Sale of Land / Building

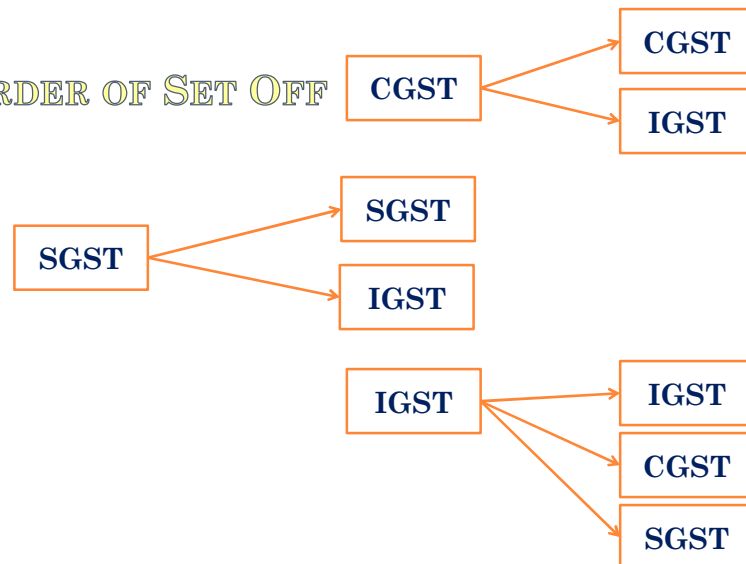


## Reconciliation Statement - Proforma

SN	Particulars	Amt
	<b>Total Credits in statement of Profit and loss</b>	xxx
(-)		
1	Profit on Sale of Capital Goods	xxx
2	Pre GST Supplies – (Apr to Jun)	xxx
3	Opg. Unadjusted Advances	xxx
4	Clg. Unbilled revenue recognized	xxx
(+)5	Deemed Supplies (Sch. I) – Eg. Branch Transfer	xxx
6	Taxable Value of Supply of Capital Goods	xxx
7	Unadjusted Advance received during the Current Period (Opg)	xxx
8	Opg. unbilled revenue (but Billed during the period)	xxx
+/-9	On account of Differences in Valuation u/s 15	xxx
+/-10	<b>Others (To specify)</b>	xxx
	<b>Total Value in Annual Returns (GSTR 9)</b>	xxx

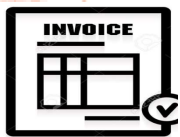
## P & L – EXPENSE ITEMS

### ORDER OF SET OFF



## When should I take credit?

1



Is in possession of a tax invoice / Debit note

2



Goods/services are received

The taxable person shall take credit and may utilize the same for payment of output tax.

3



Tax on such goods are deposited with the Government by supplier

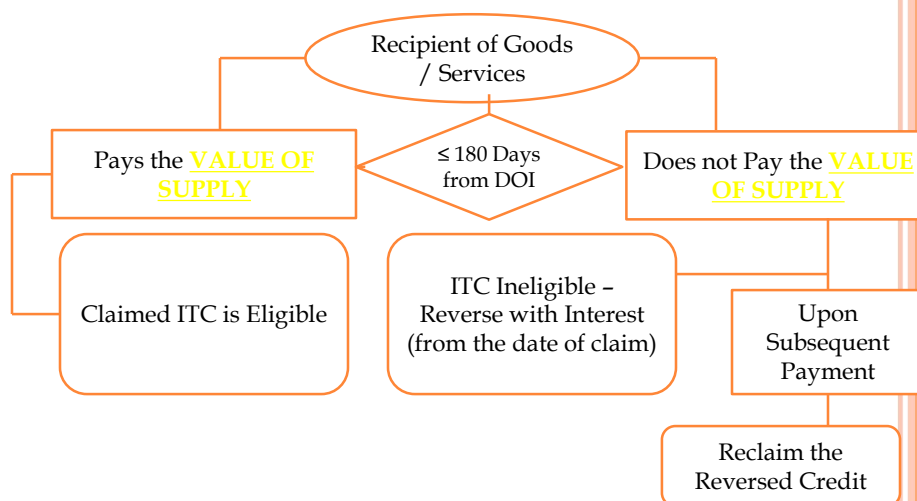
4



He has furnished return in GSTR 3

Unutilized credit can be carried forward or can be claimed as refund in certain situations.

## SECTION - 16 CONTD.,



## SECTION - 17(5) - INELIGIBLE ITC

### Motor Vehicles and Other Conveyance

1

Purchase of Motor Vehicles and Other Conveyances



Rent a Cab Supply



## SECTION - 17 CONTD., - INELIGIBLE ITC

### Motor Cars and Other Conveyance

Exc.  
1

Eligible Situations



Person (who is in further Supply of vehicles)



Annapolis Bus Company, Inc.

Used for Taxable Supply of Transport of



Driving School

Eligible = Goods Transport Vehicles



Eligible Supplies = Transportation of goods



**Motor Car  
Repairs**



**Motor Car  
Insurance**



**Motor Oil**

2

(ELIGIBLE IF THEY ARE USED FURTHER SUPPLY OF SAME CATEGORY)



Food and Beverages



Outdoor Catering



Beauty Treatment



Plastic Surgery



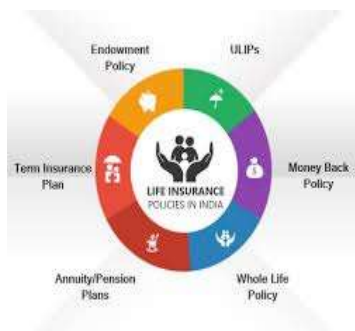
Cosmetic Surgery



Health Services

3

INELIGIBLE CREDITS (ELIGIBLE IF THEY ARE USED FURTHER SUPPLY OF SAME CATEGORY)



Life Insurance



Health Insurance

**Eligibility:**

1. They are notified as Obligatory Services of ER to EE under any law
2. They are used for providing Outward Supply of same category. Eg: Reinsurance

4

## INELIGIBLE CREDITS



**Membership of a  
Club**



**Health / Fitness  
Centre**



**Travel Benefits to  
Employees on  
Vacation for LTC  
Other Travel eligible  
except Rent a Cab**



5

**SECTION - 17 CONTD.,**  
**Works Contract / Goods & Services used for**  
**Construction of Immovable property**



**Construction of  
Immovable**



**Pipelines  
outside the**



**Telecom  
Towers**



**Construction of  
Immovable  
Property**

Eligible if Works Contract is the Inward Supply for further Supply of another Works Contract i.e. Builder /Flat Promoter etc.

**\*Construction:**

*Includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property*



## SECTION - 17 CONTD.,

## Construction of Immovable property - Eligibility

**\*Plant & Machinery:**

*Means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports*



**Interior  
Decoration**



**Repairs, if not  
capitalised**

6

## SECTION - 17 CONTD.,

## Other Ineligibilities

1. Supply where Tax is paid under Composition scheme
2. Supply for Personal Consumption
3. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
4. Tax paid under section 74, 129 and 130

**Inputs used for Business / Personal  
Purpose  
Taxable and Exempt Purpose**

## EXPENSE ITEMS - P & L A/C

- Eligibility of CENVAT Credit on Various Items
- Inputs / **Capital Goods** – 100% Credit
- Time Limit Cut off For Taking Credit – Oct 20<sup>th</sup> 2018
- Inputs / Input Services for Completely Exempt Goods / Service Not to be availed
- Reverse Charge on Various Services
- **Reconciliation with GSTR 2A / 3B**

## DISCLOSURE IN GSTR 9C

**By M Saravana Prabhu, ACMA, FCA**

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Authorised GST Trainer – National Academy of Central  
Excise and Narcotics

## TABLES DERIVED FROM GSTR 9

**FORM GSTR-9C ('Extract')**  
 [See rule 80(3)]  
**Reconciliation Statement**  
 System generated summary based on GSTR-9

PT. I		Basic Details			
Financial Year		2017-18			
GSTIN					
Legal Name					
Trade Name (if any)					
PT. II		Amount (₹)			
Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)					
5	Turnover (including exports) as per Audited Financial Statement for the State / UT (For multi-GSTIN units under same PAN, the turnover shall as be derived from the Audited Annual Financial Statements )				
Q	Turnover as declared in Annual return (GSTR9)	10,36,75,625.00			
7	Reconciliation of Taxable Turnover				
F	Taxable turnover as per liability declared in Annual Return (GSTR9)	10,34,59,708.00			
PT. III		Amount (₹)			
Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon	Central tax	State / UT tax	Integrated tax	Cess, if applicable
Q	Total amount paid as declared in Annual Return (GSTR9)	93,21,981.00	93,21,981.00	88,740.00	0.00
PT. IV		Amount (₹)			
Reconciliation of Input Tax Credit (ITC)					
12	Reconciliation of Net Input Tax Credit (ITC)	Central tax	State / UT tax	Integrated tax	Cess, if applicable

## TABLES DERIVED FROM GSTR 9

E	ITC claimed in Annual Return (GSTR9)	4,53,254.90	4,53,254.90	12,56,651.40	0.00
14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account	Central tax	State / UT tax	Integrated tax	Cess, if applicable
S	ITC claimed in Annual Return (GSTR9)	4,53,254.90	4,53,254.90	12,56,651.40	0.00

## GSTR 9C – PART II

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5	Reconciliation of Gross Turnover		
A	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)		
B	Unbilled revenue at the beginning of Financial Year	(+)	
C	Unadjusted advances at the end of the Financial Year	(+)	
D	Deemed Supply under Schedule I	(+)	
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(-)	
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
G	Turnover from April 2017 to June 2017	(-)	
H	Unbilled revenue at the end of Financial Year	(-)	
I	Unadjusted Advances at the beginning of the Financial Year	(-)	
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
L	Turnover for the period under composition scheme	(-)	

## GSTR 9C – PART II

M	Adjustments in turnover under section 15 and rules thereunder	(+/-)	
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	
O	Adjustments in turnover due to reasons not listed above	(+/-)	
P	Annual turnover after adjustments as above		<Auto>
Q	Turnover as declared in Annual Return (GSTR9)		
R	Un-Reconciled turnover (Q - P)		AT1
6	Reasons for Un - Reconciled difference in Annual Gross Turnover		
A	Reason 1	<<Text>>	
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	

## GSTR 9C – PART II

7	<b>Reconciliation of Taxable Turnover</b>	
A	Annual turnover after adjustments (from 5P above)	<Auto>
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	
C	Zero rated supplies without payment of tax	
D	Supplies on which tax is to be paid by the recipient on reverse charge basis	
E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
F	Taxable turnover as per liability declared in Annual Return (GSTR9)	
G	Unreconciled taxable turnover (F-E)	AT 2
8	<b>Reasons for Un - Reconciled difference in taxable turnover</b>	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

## GSTR 9C – PART III

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

## GSTR 9C – PART III

10	<b>Reasons for un-reconciled payment of amount</b>					
A	Reason 1	<<Text>>				
B	Reason 2	<<Text>>				
C	Reason 3	<<Text>>				
11	<b>Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)</b>					
		<b>To be paid through Cash</b>				
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					



## RECONCILIATION OF INPUT TAX CREDIT (PART IV)

Pl. IV	Reconciliation of Input Tax Credit (ITC)	
12	Reconciliation of Net Input Tax Credit (ITC)	
A	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)	
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)
D	ITC availed as per audited financial statements or books of account	< Auto >
E	ITC claimed in Annual Return (GSTR9)	
F	Un-reconciled ITC	ITC 1

Reconcile

04-11-2018

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## RECON OF ITC (EXPENSES WISE)

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			

➤ Auditor's responsibility to check eligibility of ITC availed unlike Table 12

04-11-2018

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## RECON OF ITC (EXPENSE WISE)

F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
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			

## RECON OF ITC (EXPENSE WISE)

O	Capital goods			
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
15	Reasons for un - reconciled difference in ITC			
A	Reason 1		<<Text>>	
B	Reason 2		<<Text>>	
C	Reason 3		<<Text>>	

04-11-2018

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## GSTR 9C – PART V

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		



## GSTR 9C – PART V

Description	Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
1	2	3	4	5	6
5%					
12%					
18%					
28%					
3%					
0.25%					
0.10%					
Input Tax Credit					
Interest					
Late Fee					
Penalty					
Any other amount paid for supplies not included in Annual Return					

## GSTR 9C – PART V

Erroneous refund to be paid back					
Outstanding demands to be settled					
Other (Pl. specify)					

## SIMPLIFICATION OF GSTR 9C

### Major Changes in GSTR-9C

- ~ In Part -B - Certification words "True & Fair" are substituted for the words "True & Correct".
- ~ Cash flow statements to be reported only if available
- ~ Other simplifications/relaxations for FY 2017-18 & 2018-19.

Table	Particulars	Relaxation
5B to 5N	Various Adjustment for reconciliation between Turnover as per Audited Financial Statements & GST Turnover	Optional, make adjustment in Table 5O
12B	ITC booked in earlier FY but availed in Current FY	Optional
12C	ITC booked in current FY but not availed	Optional
14	Expense wise ITC Reco.	Optional

**THANK YOU!!!**

**By M Saravana Prabhu, ACMA, FCA**

Authorised GST Trainer – National Academy of Central  
Excise and Narcotics