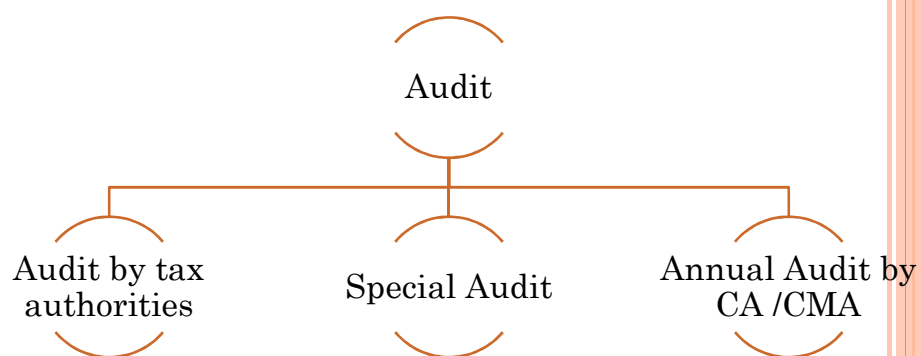


AUDIT [SEC 2(13)]

“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.

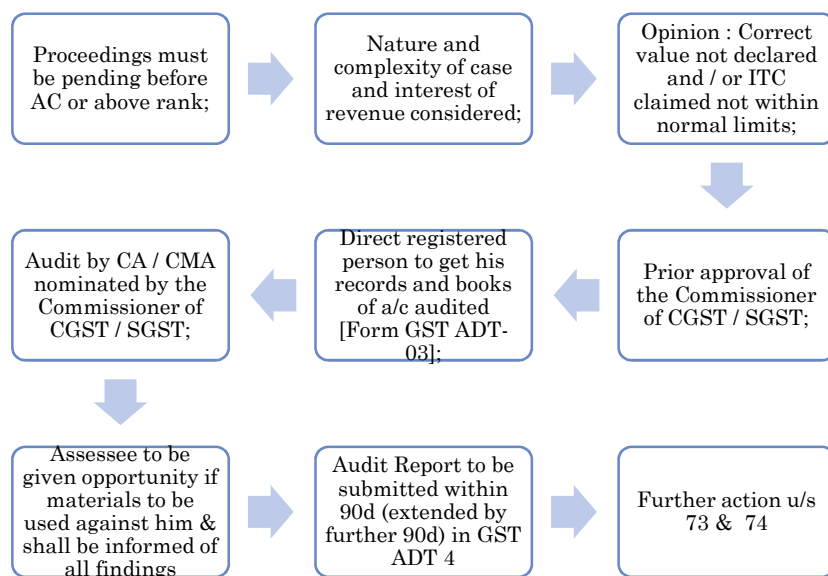
Audit



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.



7

GST ANNUAL RETURN AND AUDIT— APPROACH AND ISSUES

By M Saravana Prabhu, ACMA, FCA

Authorised GST Trainer – National Academy of Central
Excise and Narcotics

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

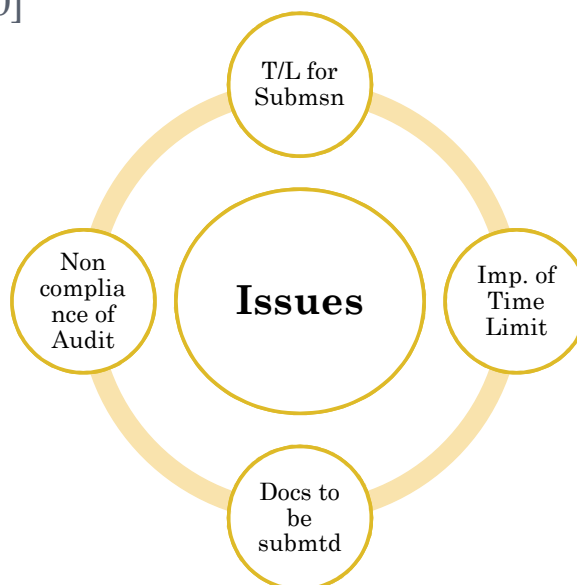
AUDIT BY CA / CMA [SEC. 35(5) AND R.80]

- 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 31st 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 st December
2	AR	44(2)	Every RP + Audit u/s 35(5)	31 st 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?

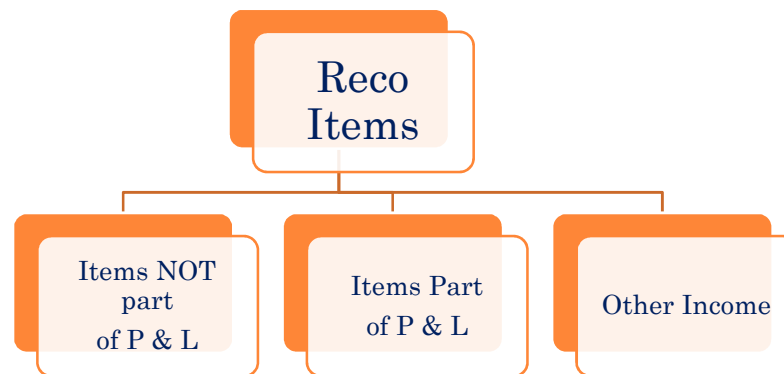
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AUDIT BY CA / CMA – AUDIT CHALLENGES

- 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...

16

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**

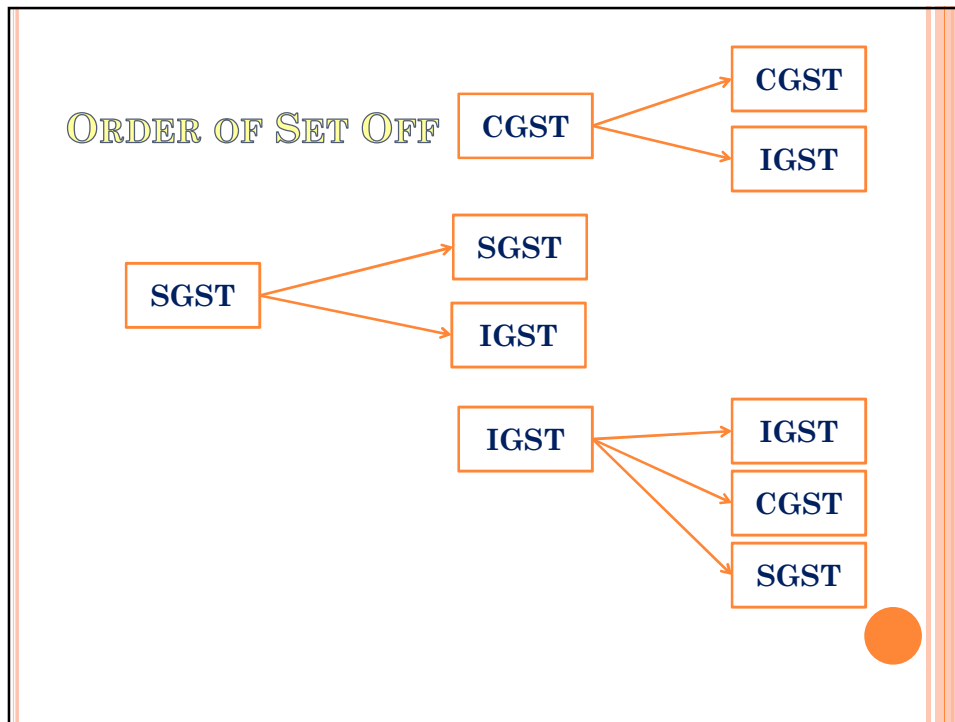
OTHER INCOME - P & L A/C

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
	Total Credits in statement of Profit and loss	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
(+)	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	Others (To specify)	xxx
	Total Value in Annual Returns (GSTR 9)	xxx

P & L – EXPENSE ITEMS





When should I take credit?

- 

Is in possession of a tax invoice / Debit note
- 

Goods/services are received

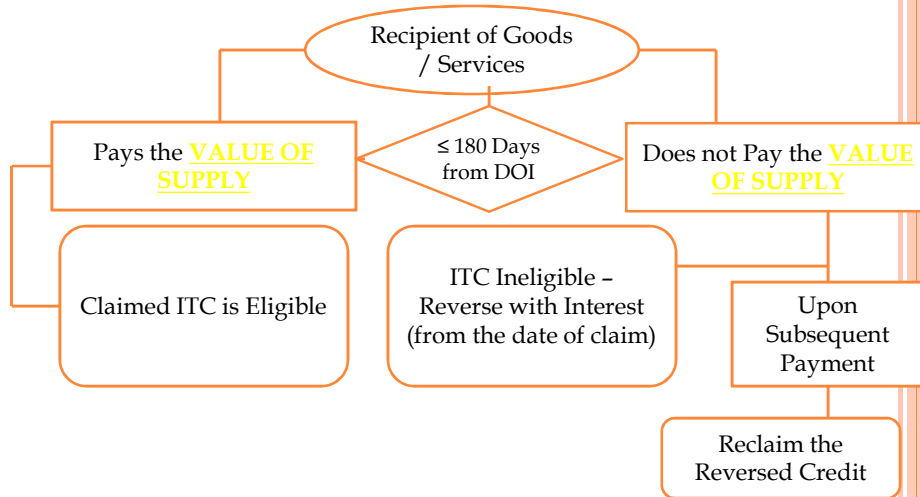
The taxable person shall take credit and may utilize the same for payment of output tax.
- 

Tax on such goods are deposited with the Government by supplier
- 

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 20th 2018
- Inputs / Input Services for Completely Exempt Goods / Service Not to be availed
- Reverse Charge on Various Services
- **Reconciliation with GSTR 2A / 3B**