

Are you ready for GST Audit?



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Latest updates in 28th Council Meeting



Recommendations in 28th Council Meeting



- ❧ Upper limit of turnover for opting for composition scheme to be raised from Rs. 1 crore to Rs. 1.5 crore.
- ❧ Composition dealers to be allowed to supply services (other than restaurant services), for upto a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher.
- ❧ Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons
- ❧ Threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 Lakhs from Rs. 10 Lakhs.

Recommendations in 28th Council Meeting



- ✧ Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory
- ✧ Mandatory registration is required for only those e-commerce operators who are required to collect tax at source
- ✧ Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law

Recommendations in 28th Council Meeting



- ✧ The following transactions to be treated as no supply (no tax payable) under Schedule III:
 - Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India;
 - Supply of warehoused goods to any person before clearance for home consumption; and
 - Supply of goods in case of high sea sales.

Recommendations in 28th Council Meeting



- ❧ Scope of input tax credit is being widened, and it would now be made available in respect of the following:
 - Most of the activities or transactions specified in Schedule III;
 - Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft;
 - Motor vehicles for transportation of money for or by a banking company or financial institution;
 - Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and
 - Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.

Recommendations in 28th Council Meeting



- ❧ In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed, but liability to pay interest is being done away with.
- ❧ Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year.
- ❧ Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal to be capped at Rs. 25 Crores and Rs. 50 Crores, respectively
- ❧ Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, up to a period of one year and two years, respectively.

Recommendations in 28th Council Meeting



- ❧ Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI.
- ❧ Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India.
- ❧ Recovery can be made from distinct persons, even if present in different State/Union territories.
- ❧ The order of cross-utilisation of input tax credit is being rationalised.

Recommendations in 28th Council Meeting



œ Farmers/ Agriculture/ Food Processing

- Exempt services by way of artificial insemination of livestock (other than horses).
- Exempt warehousing of minor forest produce in line with exemptions provided to the agricultural produce.
- Exempt the works of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.
- Exempt services provided by FSSAI to food business operators.

Recommendations in 28th Council Meeting



∞ Education/ Training/ Skill Development

- Reduce rate of GST from 18% to 5% on supply only of e-books for which print version exist.

∞ Social Security/ Pension Security/ Senior Citizens

- Exempt services provided by Coal Mines Provident Fund Organisation to the PF subscribers from the applicability of GST on the lines of EPFO.
- Exempt supply of services by an old age home run by State / Central Government or by a body registered under 12AA of Income Tax Act) to its residents (aged 60 years or more) against consideration upto Rupees Twenty Five Thousand per month per member provided consideration is inclusive of charges for boarding, lodging and maintenance.
- Exempt GST on the administrative fee collected by National Pension System Trust.

Recommendations in 28th Council Meeting



∞ Social Security/ Pension Security/ Senior Citizens

- Exempt services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in activities relating to the welfare of industrial or agricultural labour or farmer; or for the promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to own members against consideration in the form of membership fee up to an amount of one thousand rupees per member per year.

Recommendations in 28th Council Meeting



❧ Banking/ Finance/ Insurance

- Exempt Reinsurance Services provided to specified Insurance Schemes such as Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat), funded by Government.

❧ Government Services

- Exempt services provided by Government to ERCC (Excess Collection Contractor's) by way of assigning the right to collect royalty, DMFT (District Mineral Foundation Trust) etc. from the mining lease holders.
- Exempt the guarantees given by Central/State Government/UT administration to their undertakings/PSUs.

Recommendations in 28th Council Meeting



∞ Miscellaneous

- Exempt GST on import of services by Foreign Diplomatic Missions/ UN & other International Organizations based on reciprocity.
- Exempt services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with section 13 of IGST Act
- Prescribe GST rate slabs on accommodation service based on transaction value instead of declared tariff which is likely to provide major relief to the hotel industry.
- Prescribe GST rate of 12% with full ITC under forward charge for composite supply of multimodal transportation.

Recommendations in 28th Council Meeting



❧ Miscellaneous

- Rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.
- Rationalize entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis at GST rate of 5%; and making it clear that the scope of outdoor catering under 7(v) is restricted to supplies in case of outdoor/indoor functions that are event based and occasional in nature.

Recommendations in 28th Council Meeting



∞ Clarifications

- Supply of services provided by State and Central educational boards to students for conduct of examination will be clarified to be exempt.
- To clarify that the courses run by private ITIs for designated trades are exempt under GST whereas non-designated courses are taxable.
- To clarify that GST on premium paid by the Governments for implementing Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat) is exempt from GST.
- To provide clarification on applicability of Service Tax / GST on services rendered by an Indian Architect- Consultant in relation to immovable property located outside India to Indian Diplomatic Missions/Posts abroad.
- To clarify to Auroville foundation that 'maintenance' paid by it to Aurovilians is not liable to GST.
- To insert an explanation in notification No. 13/2017-Central Tax(Rate) to define the term renting of immovable property.
- To clarify that certain services such as "deposit works(expenses for providing electric line/plant)" related to distribution of electricity provided by DISCOM, attract GST.

Recommendations in 28th Council Meeting



∞ Export / other trade facilitation measures

- Extend the exemption granted on outward transportation of all goods by air and sea by another one year i.e. upto 30th September, 2019 as relief to the exporter of goods.
- Place liability to pay GST on services provided by individual DSAs to banks/NBFCs under reverse charge on the buying banks/NBFCs. However, services by non-individual NBFCs (corporate, partnership firms) to banks/NBFCs would continue under forward charge, as at present.

KEY FEATURES OF DRAFT GST RETURN FORMS

**QUARTERLY RETURN
UP TO 5 CRORE
MONTHLY RETURN
ABOVE 5 CRORE**

**MONTHLY TAX
PAYMENT FOR
ALL PERSONS**

**NIL RETURN CAN
BE FILED BY
SENDING SMS**

**CONTINUOUS
UPLOADING &
VIEWING OF
INVOICES**

**INPUT TAX CREDIT
ON THE BASIS OF
BILL UPLOADED**

**AMENDMENTS
TO INVOICE
ALSO ALLOWED**

WWW.SIMPLETAXINDIA.NET

Key features of Draft Return



- ❧ Monthly Return and due-date
- ❧ Nil return and Small taxpayers
- ❧ Continuous uploading and viewing
- ❧ Due date for uploading invoices and action to be taken by the recipient
- ❧ Invoice uploaded but return not filed
- ❧ Unidirectional Flow of document
- ❧ Missing invoice reporting
- ❧ Payment of tax
- ❧ Recovery of Input tax credit

Key features of Draft Return



- ❧ Locking of Invoices
- ❧ Amendment of invoices
- ❧ HSN
- ❧ Return format
- ❧ Payment of multiple liability to be summarized period wise
- ❧ Amendment return:

Accounts and Records under GST



Accounts & Records



- ❧ As per section 35 read with Rule 56 & 57 of CGST Rules 2017
- ❧ Every registered person shall keep and maintain a true and correct books or accounts at the principal place of business
 - Production or Manufacture of Goods
 - Inward Supplies
 - Outward Supplies
 - Stock of Goods
 - Input tax credit
 - Output tax payable and paid &
 - Other particulars prescribed in Rule 56

Stock Details



- ❧ Goods received and supplied by him, and such accounts shall contain particulars of the
 - Opening balance,
 - Receipt
 - Supply
 - Goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and
 - Closing balance of stock

For Raw material, finished goods, scrap and wastage thereof

Vouchers to be Maintained



- ❧ Tax Invoice: Supply of taxable Goods or Services
- ❧ Bill of Supply: For Supply of exempted goods / services, Composition supplier
- ❧ Receipt Voucher: For receipt of ADVANCE
- ❧ Refund Voucher: If advance refunded without supply of service/goods
- ❧ Revised Invoice: Newly registered person (>20L), For transaction between date of liable to reg. to grant of reg

Vouchers to be Maintained



- ❧ Self Invoice – RCM: URP Purchase, Exemption: not exceeding 5,000/-, Consolidated invoice- Monthly
- ❧ Payment Voucher – RCM: For Payment to URP Vendor
- ❧ Debit Note: Upward revision of rate, No time limit
- ❧ Credit note: Downward revision of rate, Goods return / deficiency of service, Time limit
- ❧ Delivery Challans: Document for supply, Other than Supply (repair, JW)

Account of Taxes



- ❧ Tax payable (including tax payable under reverse charge)
- ❧ Tax collected and paid
- ❧ Input tax
- ❧ Input tax credit claimed and
- ❧ Maintain a register of following during any tax period:
 - Tax invoice
 - Credit notes
 - Debit notes
 - Delivery challans

Details of Supplier, Recipient and Location



☞ Every registered person shall keep the particulars of

Supplier

- Names and complete addresses of suppliers from whom he has received the goods or services which are chargeable to tax under the Act.

Recipient

- Name and complete addresses of the persons to whom he has supplied goods or services, where required under the provisions of this chapter.

Location

- Complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein

Manufacturer



Every
registered
Manufacturer
shall maintain

- monthly production accounts showing quantitative details of
- raw materials used
- quantitative details of the manufactured goods (including the waste and by products thereof.)
- services used in the manufacture and

Service Provider



Shall
maintain
the
accounts

- Inward details of
 - quantitative details of goods used
 - details of input services utilized and
- Outward services supplied.

Works Contractor



Every registered person executing Works Contract shall keep separate accounts for works contract showing

- Details of - *outward*
 - Persons on whose behalf the works contract is executed.
 - Payment received in respect of each works contract
- Details of - *inward*
 - Suppliers from whom he received goods or services.
 - Goods or services Received/Utilized for the execution of works contract.

Agent



Every Agent shall maintain

a) For

- ✧ particulars of **authorisation received by him** from each principal
- ✧ details of accounts furnished to **every principal**;

b) Activities

- ✧ Details of **goods or services received** on behalf of every principal;
- ✧ Details of **goods or services supplied** on behalf of every principal;

c) To Record

- ✧ tax paid on **receipts or on supply** of goods or services on behalf of **every principal**.

Transporter



- ❧ Records of goods transported, delivered and goods stored in transit by him
- ❧ GSTIN of the registered consigner and consignee for each of transporters branches
- ❧ Books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt and disposal of such goods.
- ❧ Common Ware house : The owner or the operator of the godown shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

Note: If not registered, register on common portal in **FORM GST ENR-01**

Other Points to Note



- ❧ Accounts of **Advances** – Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto
- ❧ Any entry in registers, accounts and documents **shall not be erased**, effaced or overwritten
- ❧ All incorrect entries shall be scored out under **attestation** and thereafter, the correct entry shall be recorded if those are not a clerical nature
- ❧ Where the registers and other documents are maintained electronically, a **log** of every entry edited or deleted shall be maintained
- ❧ Each volume of books of account maintained manually shall be **serially numbered**
- ❧ If any documents, registers, or any books of account belonging to a registered person are found at any premises other than those mentioned in the certificate or registration, such documents, registers or any books of account shall be presumed to be maintained by the said registered person unless it is proved that it is not related to said registered person

Other Points to Note



- ❧ **Authentication** – All the accounts and records **may** be maintained in electronic form and the record so maintained shall be authenticated by means of a digital signature
- ❧ **Place to keep books of accounts** – Where accounts and documents are maintained manually, such records should be kept at every related place of business mentioned in the certificate of registration. Same if maintained digitally shall be accessible at every related place of business
- ❧ **Records by Carrier or Clearing and Forwarding Agents** – Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent, for delivery or dispatch thereof to a recipient on behalf or any registered person
- ❧ **Produce the Books of accounts on demand** – Every registered person shall, on demand produce the books of accounts which he is required to maintain under any law for the time being in force

Electronic Records



- ❧ **Backup** – proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time
- ❧ **Produce Hard copy on demand** – The registered person maintaining electronic records shall produce, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
- ❧ **Provide Password for access** – Where the accounts and records are stored electronically, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, wherever necessary

Period of Retention



œ Period of Retention of Documents

- 72 months from due date of filing of annual return i.e. 31st December 2018
- 6 years and 9 months from the end of the year
- Party to Appeal/ Revision/ other proceeding – 1 year after the Final disposal or period specified above, which ever is later

Audit under GST



What is Audit?



As per section 2(13), 'Audit' means

❧ examination

- of records,
- returns and
- other documents maintained or
- Furnished by the taxable person

❧ under GST Acts/ Rules or under any other law in force

❧ to verify, inter alia,

- the correctness of turnover declared,
- taxes paid,
- refund claimed and,
- ITC availed and

❧ to assess the compliances with provisions of the Act or rules made thereunder

Why Audit is Required?



- ❧ Reliance of Tax Administration on Self Assessment
- ❧ Determination of tax liability without intervention of tax official
- ❧ To ensure the compliance of law by taxable person

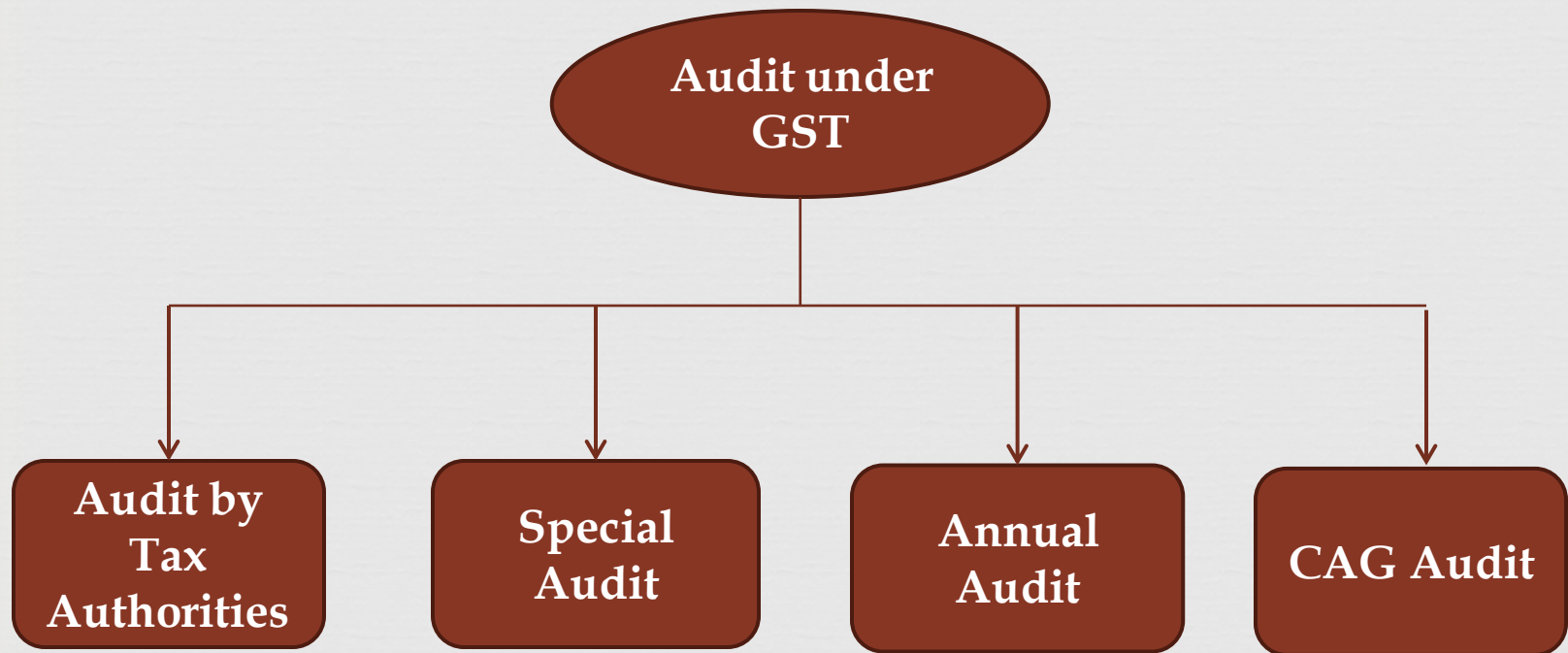


Difference between Statutory Audit, Tax Audit & GST Audit

Basis of Difference	Statutory Audit	Tax Audit	GST Audit
Governing Act	Companies Act, 2013 & any other statute governing the entity	Income Tax Act, 1961	Goods and Services Tax Act, 2017
Applicability	All Companies	All	All
Conditions	All Companies	Any entity whose business has a turnover of more than 1 Crore	Any entity whose business has a turnover of more than 2 crore or if directed by the Dept.
Audit type	To check whether all the disclosures and compliances have been made according to the Companies Act	To check whether the taxes has been calculated, remitted and disclosed properly on all the incomes, expenses and related transaction as per Income Tax Act	To check whether all the disclosures and compliances have been made according to the GST Act and the taxes on the same have been duly paid

Basis of Difference	Statutory Audit	Tax Audit	GST Audit
Person to conduct Audit	Chartered Accountant	Chartered Accountant	Chartered Accountant or Cost Accountant
Report Submission	Share holders	Income Tax Department	CBIC
Nature of Audit	Mandatory	Conditional	Conditional

Types of Audit under GST



Relevant Legal Provisions



Section/ Rule	Act/ Rules	Description
65	CGST	Audit by tax authorities
66	CGST	Special audit
35(5)	CGST	Audit of Accounts by Chartered/ Cost Accountant (Annual Audit)
20	IGST	Application of provisions of CGST Act
21	UTGST	Application of provisions of CGST Act
101	RULES	Audit by Tax Authorities
102	RULES	Special Audit
80(3)	RULES	Annual Return

Audit by Tax Authority



⌘ Power to Conduct Audit

- The Commissioner or any other officer authorized by him may undertake Audit
- Through general or Specific order
- For Financial year or Multiples thereof

❖ General Order

On the basis of pre-defined parameters for audit

❖ Special Order

A particular person may be required to be audited in the context of certain transactions/class of transactions

Audit by Tax Authority



⌘ What is verified?

- Outward Supply
- Inward Supply
- Availment of Credit
- Payment of tax is made and declared in return
- Other Compliances with the Law

Audit by Tax Authority



∞ Where to conduct the Audit?

- At place of business of Registered Person or
- In their own office

∞ What is period and format of notice?

- **Not less than 15 days notice** prior to conduct of audit
- In Form **GST ADT- 01**
- Notice to specify period for which audit is to be conducted

Audit by Tax Authority



❧ What is Time Limit for completion of Audit?

- To be completed within 3 months of **commencement of date of audit**
- Extension can be granted by Commissioner
- **For period not exceeding 6 months** (Reasons to be recorded in writing)

❧ What is Commencement of Audit?

- Date on which **records and other documents**, called for by the Tax Authorities
- **Are made available** by the registered person or
- Actual institution of audit
- **Whichever is later**

Audit by Tax Authority



☞ Registered Person to provide necessary assistance

- To afford necessary facility to verify books/ documents
- Furnishing the information required and
- Rendering assistance for completion of audit

☞ Intimation of Audit Findings by Proper Officer

- Proper Officer in **Form ADT-02** inform within **30 days of completion** of audit;
 - Audit Findings & Reasons thereof
 - Registered Person rights & Obligations
 - PO may initiate proceedings u/s 73 [determination of tax liability – Normal cases] or 74 [determination of tax liability – Fraud cases] if audit report reveals Tax not paid/ Short paid/ Excess ITC Claimed/ Excess Refund claimed

Special Audit



∞ When it can be ordered?

- During any stage of scrutiny, enquiry, investigation or any other proceeding
- Officer not below the rank of AC, may if he is of opinion that
 - value declared is not correct or
 - Credit availed is not within normal limit,
- with prior approval of Commissioner
- Issue directions for Audit in **ADT-03**

∞ Who can conduct Special Audit?

- Chartered Accountant or Cost Accountant
- As may be **nominated by Commissioner.**

Special Audit



- ❧ What is the time period for submission of Audit Report?
 - **Within 90 days**
 - Chartered Accountant or Cost Accountant required to submit to AC
 - Report duly signed and certified
 - For sufficient reasons, **extension of another 90 days** allowed on an application by registered person or CA/ CWA
 - Findings to be communicated in **Form GST ADT-04**

Special Audit



∞ Key Features:

- Can be **Conducted in addition to other Audit**
- Principal of Natural justice to be followed –**Opportunity of being heard**
- **Expenses of Audit** to be determined & paid by Commissioner
- **PO may initiate proceedings u/s 73 or 74** if audit report reveals Tax not paid/ Short paid/ Excess ITC Claimed/ Excess Refund claimed
- **Provisions of Special Audit under GST are broadly similar to provisions contained in erstwhile Indirect taxation regime [Sec 14A of Central Excise Act and Section 72A of Service Tax]**

Penal Provisions

(Audit by Tax Authorities & Special Audit)



Other than fraud,
suppression etc.

- Tax + Interest + Penalty
- Penalty
- Before service of notice and within 30 days of issuance of SCN – Penalty = NIL
- Issuance of Order, penalty = 10% of tax or Rs. 10,000/- whichever is higher

Fraud,
suppression etc.

- Tax + Interest + Penalty
- **Penalty,**
- Before service of notice- **Suo moto** by assessee – Penalty = 15%
- Within 30 days of notice – penalty = 25%
- Within 30 days of order – penalty = 50%

Annual Audit



- ∞ According to **Section 35(5)** of the CGST Act:
- Every registered person whose **turnover** during a financial year exceeds the prescribed limit (presently 2 crore rupees) shall get his accounts audited by
 - a **Chartered Accountant** or
 - a **Cost Accountant**
 - and shall submit a copy of the **audited annual accounts**
 - along with a **reconciliation statement** (reconciling the value of supplies declared in return with audited annual financial statements) and
 - Such other documents in such form and manner as may be prescribed

What is Aggregate Turnover?



- ❧ **Aggregate turnover** = Taxable supplies + Exempt supplies + Exports + Interstate supplies. **Doesn't include** supplies on which tax is payable on RCM **(PAN Based)**
- ❧ **Exempt supply** = Supplies taxed at 'Nil rate' + Supplies exempt from tax through notifications + Non taxable supply
- ❧ **Taxable supply** = Supplies leviable to tax under GST
- ❧ **Non taxable supply** = Supplies not leviable to tax under GST

What is Turnover in State?



- ❧ **Turnover** = Taxable supplies + Exempt supplies + Exports + Interstate supplies. **Doesn't include** supplies on which tax is payable on RCM (**Turnover within a State**)
- ❧ **Exempt supply** = Supplies taxed at 'Nil rate' + Supplies exempt from tax through notifications + Non taxable supply
- ❧ **Taxable supply** = Supplies leviable to tax under GST
- ❧ **Non taxable supply** = Supplies not leviable to tax under GST

Annual Audit



- ❧ Section 44: 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.

Annual Audit



œ **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 subsection (5) of section 35 and he shall furnish

œ a copy of **audited annual accounts** and

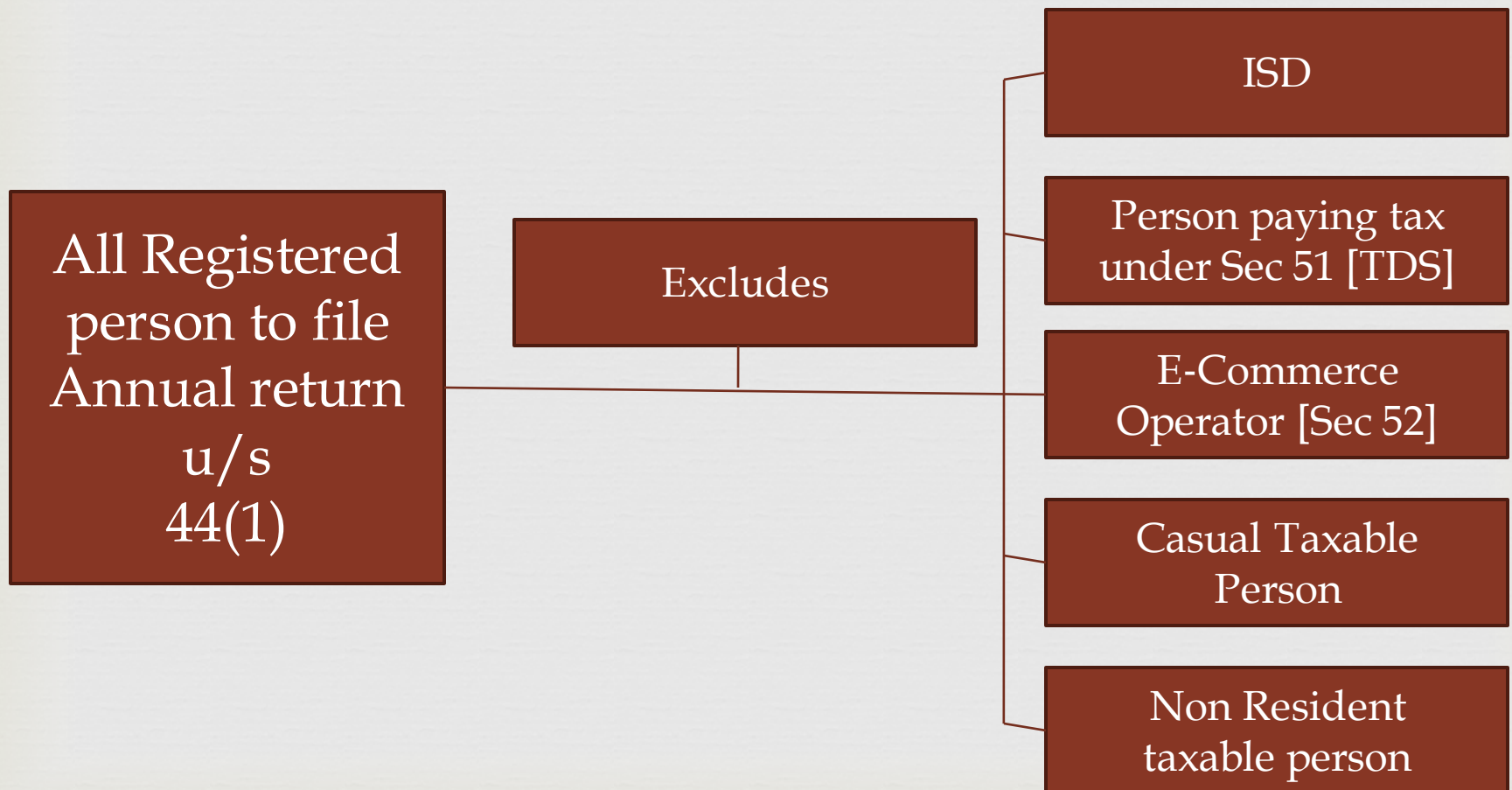
œ a **reconciliation statement**,

œ in **FORM GSTR-9C**, duly certified,

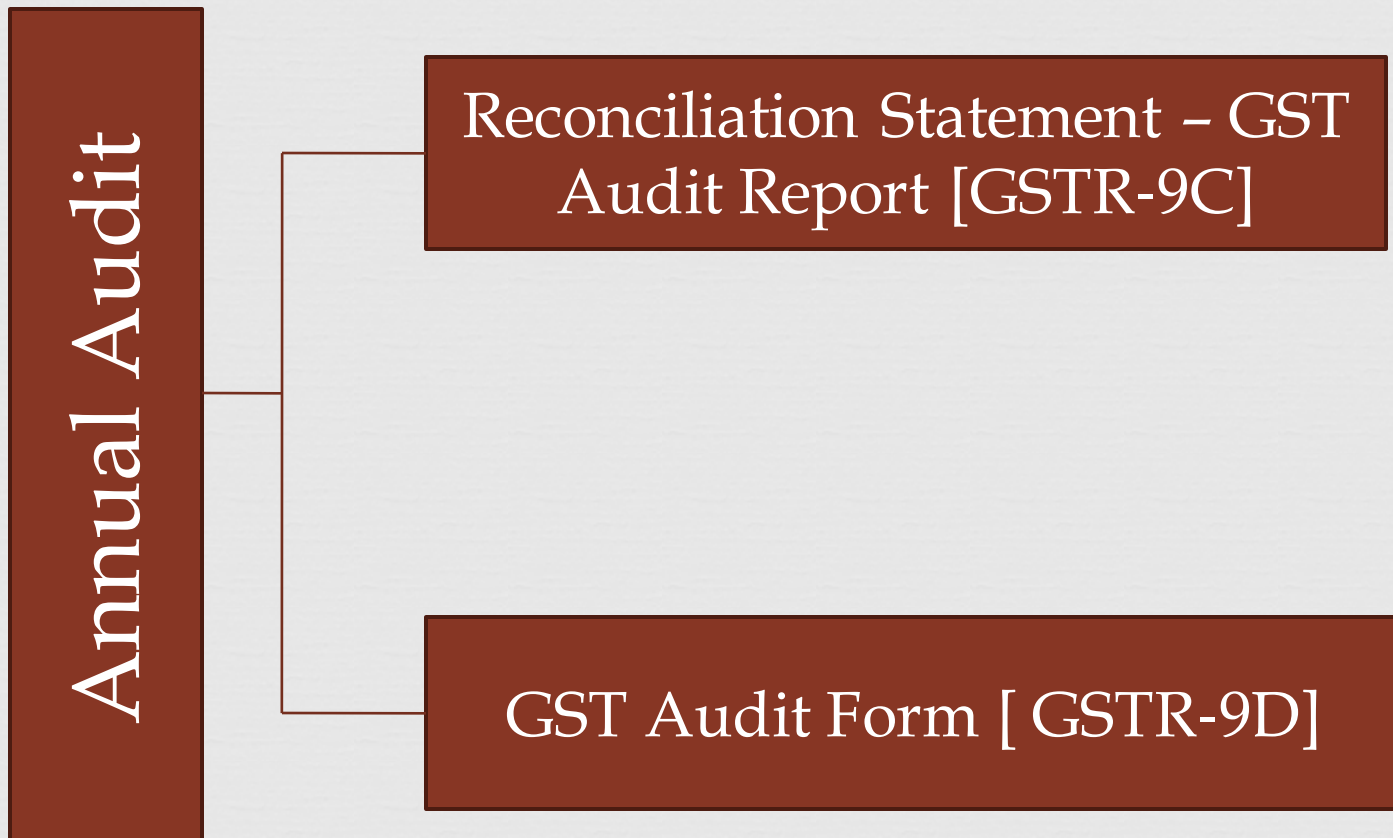
electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner

- ❧ Who should get Audited?- Section 35(5) and 44(2)
 - ❧ When should he get himself audited? – Section 44(2)
-
- ❧ What should he furnish? Section 44(2)
 - ❧ What should the reconciliation statement reconcile?
 - ❧ 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
 - ❧ What is proposed by the Institute?
 - ❧ Proposed Audit Report – 9C
 - ❧ Proposed Audit Form – 9D

Person eligible to file Annual Return



Annual Audit



Annual Audit



- ❧ Contents of the audit report and other particulars to be prescribed
- ❧ Audited Report and Audited Annual Accounts to be submitted along with **annual return** on or before 31st December following the end of financial year.

Annual Audit – Focus Areas



Classification

Old Rates & New Rates

Input Credit

Ineligible, Credit Reversals-CG& Others

Reconciliation

Books of Accounts & Returns

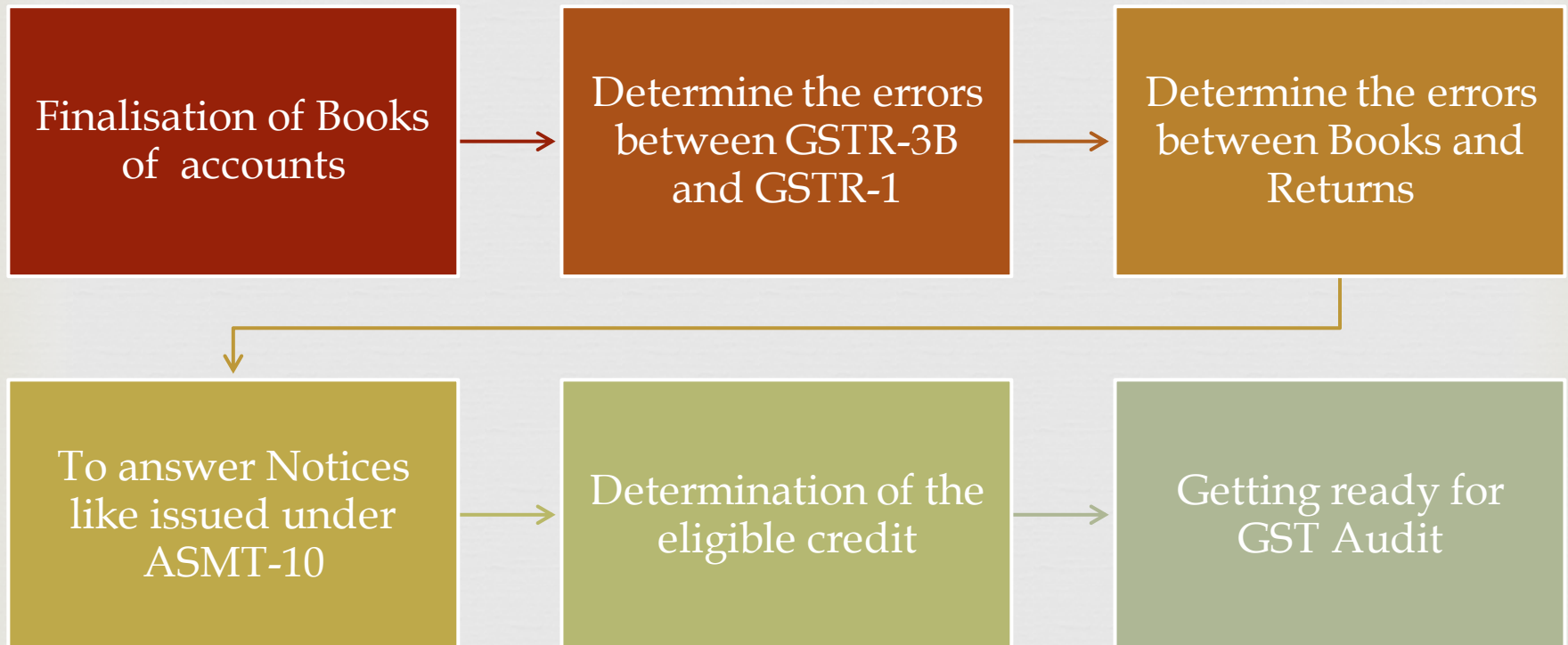
Valuations

Deductions Admissible, Value
Enhanced - Differential Taxes

Frequent changes

Notification/ Circulars in GST to be
Monitored

Reconciliation Statement



Rectification of errors in Returns : Circular 26/2017



❧ What is the error?

- Liability was under reported
- Liability was over reported
- Liability was wrongly reported
- Input tax credit was under reported
- Input tax credit was over reported
- Input tax credit of the wrong tax was taken
- Cash Ledger wrongly updated

❧ Which stage of filing ?

- Confirmed Submission
- Cash Ledger Updated
- Offset Liability
- Return Filed

Solution given in Circular



œ GSTR 1

- Not reported – Report in the original table
- Wrongly reported – Correct in Amendment table

œ GSTR 3B

- Not filed, Reset and Edit
- If Filed, adjust in next Return
- Ensure, NO negative balance reported

Outward Supplies Reconciliation



☞ Taxable Outward Supplies:

☞ GSTR 3B:

- ☞ 3.1 (a) Outward taxable supplies (other than zero rated, nil rated and exempted)
- ☞ Net of debit and credit notes

☞ GSTR 1:

- ☞ **Table 4 B2B** Invoices
- ☞ **Table 5 B2CL** Supplies to unregistered persons (Inter - state) Large Invoices > 2.5 Lacs
- ☞ **Table 6C** Deemed Export
- ☞ **Table 7 B2CS** (Net of debit and credit notes) other than supplies covered in Table 5
- ☞ **Table 9&10 :**
 - ☞ **Amendments** to the above Tables of earlier tax periods
 - ☞ Debit and credit notes of B2B
- ☞ **Table 11 :** Advances

Outward Supplies Reconciliation



Zero Rated Outward Supplies:

GSTR 3B:

- 3.1 (b) Outward taxable supplies (zero rated)

GSTR 1:

- Table 6A : Exports
- Table 6B : SEZ Supplies

Exempted Outward Supplies:

GSTR 3B:

- 3.1 (c) Other outward supplies, (Nil rated, exempted)
- 3.1 (e) Non GST outward supplies

GSTR 1:

- Table 8 : Nil-rated, Exempt, Non-GST Supply

Reconciliation of Taxes collected



- ❧ Taxes collected as per Ledger Balances
- ❧ Taxes liability disclosed in Returns
- ❧ Reconciliation
 - ❧ Debit Notes / Credit Notes
 - ❧ Inter adjustment
- ❧ Adjustments of
 - ❧ RCM Inward not in outward supply side of books

Inward Supplies reconciliation



❧ Import of Goods

❧ GSTR 3B

❧ 4A(1) : Import of goods

❧ ICE Gate Portal

❧ Import of Services and other RCM

❧ GSTR 3B

❧ 4A(2) : Import of Services

❧ 4A(3) : Inward supplies liable to reverse charge

❧ GSTR 3B

❧ Table 3 (d) Inward supplies (liable to reverse charge)

Inward Supplies reconciliation



❧ ISD Credit

❧ GSTR 3B

❧ 4A(4) : Inward supplies from ISD

❧ GSTR 2 A : PART B

❧ Table 6 : ISD credit (including amendments thereof) received

❧ All other ITC

❧ GSTR 3B

❧ 4A(5) : All other ITC

❧ GSTR 2 A : PART A

❧ Table 3 : Inward supplies received from a registered person other than the supplies attracting reverse charge

❧ Table 4 : Inward supplies received from a registered person on which tax is to be paid on reverse charge

❧ Table 5 : Debit / Credit notes (including amendments thereof) received during current tax period

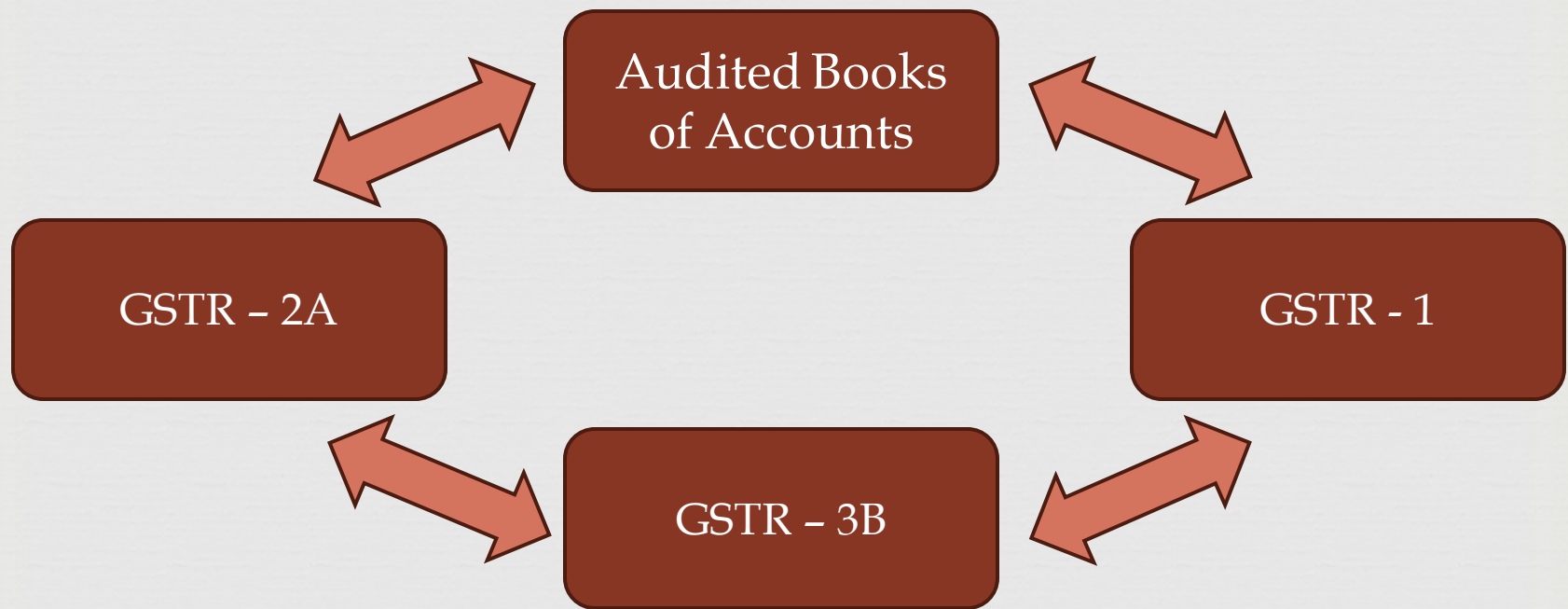
Inward Supplies reconciliation



❧ Reconciliation of Input Tax Credit:

- ❧ Input Taxes Paid on Inward Supplies as per Ledger Balances
- ❧ ITC Credit Availed in Table 4A of GSTR 3B
- ❧ Reconciliation of
 - ❧ Missing credits
 - ❧ Reversal as per Rule 42 and Rule 43
 - ❧ Reversal as per sec 16(2) non compliance
 - ❧ Re-availment of reversed credits
- ❧ Adjustments of
 - ❧ RCM Inward supplies

Input Tax Credit Reconciliation



Reconciliation Statements

- Between Monthly Return Vs Annual Return
- Annual Return Vs Audited Financials
- Monthly Returns Vs Audited Financials

Reconciliation of Income with Books

Particulars	Amount
Total Credits in statement of profit and loss	xxx
Less: Not Goods / Not Services - Eg. Dividend Income	(xxx)
Less: Sch III Items which is not a Supply eg : Land & Building etc	(xxx)
Less: April 2017 - June 2017 Supplies	(xxx)
Less: Receipts Not in the Course of Business	(xxx)
Add: Sch I Supplies like Branch Transfer not in books, but supply as per GST Law	xxx
Add: Receipts capitalized but taxable to GST	xxx
Less: Profit on Sale of Capital Goods	(xxx)
Add: Taxable Value of Supply of Capital Goods	xxx
Add: Advance received during the Current Period [<i>if liable to GST as per TOS</i>]	xxx
Less: Advance of earlier period adjusted during the Current period	(xxx)
Less: Closing Unbilled revenue recognized - But Time of Supply did not arise	(xxx)
Add: Opening unbilled revenue (Billed during the period/ Time of supply falls in the month)	xxx
Total Value in GSTR 1	xxx

Reconciliation of Expenses with Books & GSTR-2A



Particulars	Amount
Total debits in statement of profit and loss	xxx
Less: Schedule III items (Ex: Salary expense)	(xxx)
Less: Depreciation and Amortization	(xxx)
Less: Accrued expenses and month end provisions, not credited to party account	(xxx)
Add: Invoices recd and adjusted for Expenses provision made earlier	xxx
Add: Capital Expenses	xxx
Add: Advance paid to unregistered dealers -Expenses Not Booked	xxx
Less: Purchases booked for URD Advances paid in earlier periods	(xxx)
Total Taxable value in GSTR 2	xxx

Reconciliation - Miscellaneous



❧ Taxes

- Tax Payable, Tax Paid, Interest, Late penalty etc

❧ Refunds

- Claimed, Sanctioned, Rejected , Under Process

❧ Ineligible ITC

❧ Calculation of ITC Reversal

- on account of Exempted/ Non Business

❧ Transactions with Related entities/ Distinct person

CAG Audit



❧ Power of Revisional Authority:

- The Government or the authority specified by it;
- shall maintain proper record in relation to fund (for the welfare of the consumer);
- and prepare an annual statement of accounts in such form and manner as may be prescribed;
- in consultation with the Comptroller and Auditor-General of India.

The Comptroller and Auditor-General of India shall have the power to inspect the accounts of such Government or authority by virtue of powers vested in it by other law.

Documentation



Documentation for GST Audit



- ❧ Statutory audit report
- ❧ VAT Audit report for April to June (if any)
- ❧ Internal Audit report
- ❧ Notices from the department
- ❧ Pending Assessments for the earlier laws
- ❧ Pending Appeals
- ❧ Opinion copies from consultants
- ❧ Advance Ruling copies
- ❧ List of Opening Stock as on 01/07/2017
- ❧ Agreements with job workers, agents including pure agent, High sea sale, AMC Contracts, sale in the course of import
- ❧ Registration Certificate
- ❧ Amendments in registration certificate

Documentation for GST Audit



- ❧ PT registration certificate
- ❧ PT Renewal challan
- ❧ Books of accounts
- ❧ Financial statements
- ❧ Cost Sheet – For the purpose of anti-profiteering clause
- ❧ Bank Statements
- ❧ Return copies (Tran – 1, GSTR 3B, GSTR 1, ITC – 01, ITC – 02, ITC – 03, ITC – 04, GSTR 6, Tran – 2)
- ❧ Details of production/ manufacture of the product
- ❧ Inward Supplies: Purchase order, Purchase register, Invoice copies, GRN, Transportation documents, E-Way bill, Debit & Credit notes received from the supplier, import documents, purchase returns

Documentation for GST Audit



- ❧ PT registration certificate
- ❧ PT Renewal challan
- ❧ Books of accounts
- ❧ Financial statements
- ❧ Cost Sheet – For the purpose of anti-profiteering clause
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- ❧ Details of production/ manufacture of the product
- ❧ Inward Supplies: Purchase order, Purchase register, Invoice copies, GRN, Transportation documents, E-Way bill, Debit & Credit notes received from the supplier, import documents, purchase returns

Documentation for GST Audit



- ❧ Outward Supplies: Sales order, Sales register, Tax invoice, Bill of supply, Revised invoice, Debit & Credit Note, Receipt voucher, payment voucher, refund voucher, ISD invoices, sales return
- ❧ Exports: LUT copies, shipping bills, bill of lading, FIRC or BRC copies, IEC Code
- ❧ Deemed exports: Form A & B, agreements, Advance Authorization Copies
- ❧ Refund application with workings
- ❧ List of supplies made during the year
- ❧ Classification of supplies and rates with relevant notifications
- ❧ Notices from the GST department
- ❧ Job work: Details of stocks sent for job work (Raw materials, WIP, Finished Goods, Capital Goods, Spares and moulds), Delivery challan, stocks return back after job work, stocks directly sold from job work premises

Documentation for GST Audit



- ❧ FD certificates, Dividend certificates, Receipt of mutual fund income etc.
- ❧ Self-invoice issued for receipt of RCM supplies
- ❧ Details of stocks sent on approval basis
- ❧ Details of employee salary including perquisites and facilities
- ❧ Purchase and sale invoice of capital goods
- ❧ Electronic credit ledger and Electronic cash ledger
- ❧ Details of stock transfers within the state and outside the state
- ❧ Closing stock as on 31/03/2018

Practical Points to be noted in reconciliation statement under GST with Financials:



Issues



œ Opening Stock:

- Stocks held with the job worker
- Stocks held with distinct persons and related parties
- Consignment stock
- Stocks with agents
- Hire purchase sale
- Sale on approval basis
- Stock in transit
- Transitional credit

Issues



∞ Inward Supplies (Purchases of raw material & capital goods and Expenses):

- Raw material purchases
- Fixed Asset purchase
- Agent commission/Brokerage
- Expenses covered under RCM
- Bank Charges
- Moulds and Dyes sent to job workers
- Non – GST inwards
- Exempted inwards
- Blocked purchases
- Blocked expenses because the POS in different state
- Purchase Returns
- Personal Expenses
- Perquisites provided to the employees
- Pre and Post discount

Issues



∞ Outward Supplies (Direct & Indirect Income):

- Sales
- Inter branch transfers
- Reimbursement of Expenses
- Consignment Sale
- Supply of goods to agents
- Post Sale Expenses
- Cancellation Charges
- Interest on FD's
- Goods sent on approval basis
- Gifts offered to employee's more than Rs. 50,000/ -
- Land difference Value (If the registered person claimed land value in earlier law)
- Trade Discount
- Non - GST Supplies
- Sales Returns
- Credit Note/ Debit Note

Issues



∞ Outward Supplies (Direct & Indirect Income):

- Scrap Sales
- Sale of Capital Asset
- Permanent transfer of Business Asset without consideration
- Transfer of Business Asset for personal use
- Gift vouchers and Sodexo coupons
- Exempted supplies
- Exports and Deemed Exports
- Development rights of land
- Supply of food to employees
- Sale to related parties
- Employer and Employee short notice period

Issues



❧ Closing Stock:

- Stock should be as per stock register
- Stock held with job worker

❧ Input Tax Credit:

- Transitional Credit
- Inward Supplies used for providing taxable supplies
- Inward supplies used exclusively for providing exempted supplies
- Common Credits
- Blocked Credits including credits not availed due to POS in different state
- RCM paid on expenses
- Availed depreciation/ ITC on capital assets
- Reversal of ITC on discounts issued after the sale
- Reversal of common credit under Rule 42 & 43

❧ What does the ICAI Audit Report State?



- ❧ Verification – Returns/ Books
- ❧ Annual Return – True & Correct (GSTR 9, 9A, 9B – Not yet issued by CG)
- ❧ Aggregate of outward/ inward supplies
- ❧ Valuation
- ❧ Adjustment of outward/ inward supplies
- ❧ Exemptions/ Abatements
- ❧ Ineligible credits
- ❧ Classification (Comp/ Mix), Rate of tax
- ❧ Computation of Output tax/ Reverse Charge

❧ What does the ICAI Audit Report State?



- ❧ Input tax paid & Deductions of ITC
- ❧ Summary of Additional Tax Liability determined by Auditor
- ❧ Outward Supplies (taxable + Zero Rated Supply), Output Tax
- ❧ Inward Supplies, Input Tax (Availed & Utilized)
- ❧ Refund Claimed
- ❧ Outward Supplies (Exempt)
- ❧ Input Tax (Ineligible)
- ❧ Advice to Registered Person
- ❧ Contents of the audit report and other particulars to be prescribed
- ❧ Audited Report and Audited Annual Accounts to be submitted along with **annual return** on or before 31st December following the end of financial year.

Qualifications in GST Audit Report



a) the books of account and other related records and registers maintained by the registered person are sufficient for the verification of the correctness, completeness and accuracy of the returns filed for the year except;

Books of Accounts: The company is not maintaining proper books of accounts as per the provisions of Section 35 of the Act.

Incorrect issue of Tax invoice for advances received in the month of March, 2018 for which goods/services has not been supplied.

Procedural Lapses: Failure to declare the new branch office as additional place of business under the registration within the state

Qualifications in GST Audit Report



a) the books of account and other related records and registers maintained by the registered person are sufficient for the verification of the correctness, completeness and accuracy of the returns filed for the year except;

Issue of Bill of supply in case of taxable supply.

High volume of procedural lapses and non-compliance by assesses, incorrect documents/ documentation procedures

Issuance of invoice where supply is not involved

Procedural Lapses: Inter-state movement of goods of value more than Rs. 50,000/- without generating the corresponding E-way Bill.

Qualifications in GST Audit Report



a) the books of account and other related records and registers maintained by the registered person are sufficient for the verification of the correctness, completeness and accuracy of the returns filed for the year except;

Procedural Lapses: Failure to apply for amendment of its registration arising on account of change in the particulars of its authorized signatory

Procedural Lapses: Failure to issue delivery challan in case of job-work.

Failure to furnish return for 6 consecutive tax periods

Qualifications in GST Audit Report



b) the annual return filed by the registered person reflects a true picture of all the transactions effected during the year that need to be reported except;

Export on invoice basis: Application for refund of unutilized input tax credit on export of services without realization of foreign remittance, which is not in terms with Rule 89 of CGST Rules, 2017 (Refund on export of service is claimed on realization basis)

Procedural Lapses: Export of certain goods and services without payment of duty in the month of July and August without obtaining Letter of Undertaking and has also not made export with payment of taxes

Qualifications in GST Audit Report



b) the annual return filed by the registered person reflects a true picture of all the transactions effected during the year that need to be reported except;

Refunds received into bank account but not booked in books of accounts.

Procedural Lapses: Non issuance of a payment voucher in respect of supplies received from an Unregistered Dealer notified under 9(3), under section 31(3) of the CGST Act, 2017

Litigation pending in the earlier regime and current regime.

Continuous supply of goods/ services: Failure to enter into an agreement but considered it as continuous supply and invoices issued accordingly

Qualifications in GST Audit Report



b) the annual return filed by the registered person reflects a true picture of all the transactions effected during the year that need to be reported except;

GST collected but not remitted to the Government.

Non- compliance of Revenue recognition standard under GST

Qualifications in GST Audit Report



c) the aggregate of outward supplies declared in the annual return include all the outward supplies effected during the year except;

Time of Supply: Received certain advances on 31st March 2018 for supply of service in the month of April 2018 and has not declared the same as supply of service for the month of March which is in violation of section 13 of CGST Act 2017

Schedule I: Failure to discharge tax on gifts distributed to employees worth more than Rs. 50,000/- (Schedule 1 as appended to the CGST Act, 2017)

Qualifications in GST Audit Report



c) the aggregate of outward supplies declared in the annual return include all the outward supplies effected during the year except;

Business Asset- Schedule II: Disposal of certain fixed assets but not discharged tax on such sale as per Section 18 of CGST Act, 2017

Transactions such as stock transfers, free samples, services received from outside India from related parties or other supplies without consideration are not accounted in Financials and the same is not considered for GST purposes.

Qualifications in GST Audit Report



c) the aggregate of outward supplies declared in the annual return include all the outward supplies effected during the year except;

Job Work: Where the goods are not returned within one year/ three years with respect to inputs/ capital goods respectively, it is deemed supply to the principal from the date of sending the goods. The deemed supply is not considered by the principal and not taxes are discharged.

Advances: Tax not paid on the advances at the time of issuance of Receipt Voucher

Mismatch: Turnover as per E- way bill does not match with turnover as per Books.

Qualifications in GST Audit Report



d) the aggregate of inward supplies declared in the annual return include all the inwards supplies effected during the year except;

URD purchases u/s 9(4): is removed from Oct 13, 2017, the dealer has not paid URD taxes from July to Oct 13' 2017.

Qualifications in GST Audit Report



e) the transactions included / excluded from the value of supply are in accordance with the provisions of the law except;

Related Parties Valuation: Transactions entered with related parties but failed to comply with Valuation Rules by adopting the transaction value

Discounts: Deduction of post supply discounts (Not known at the time of supply) from his taxable supplies and is therefore in violation of Section 15 of CGST Act 2017.

Subsidies: The subsidy received from the State government has been included in the value of taxable supply, which violates Section 15 of the CGST Act, 2017

Qualifications in GST Audit Report



e) the transactions included / excluded from the value of supply are in accordance with the provisions of the law except;

Under valuation/ over valuation of goods and services.

Value of supply: Taxes other than GST has not been considered while arriving at the Transaction value

Value of Supply: Assessee has not considered the incidental expenses in Transaction Value

Qualifications in GST Audit Report



f) the adjustment to the outward supplies and taxes is based on the entries made in the books of account maintained for the year except;

A case pending before the anti-profiteering committee for failure to pass on the benefit of reduced rate of output tax to its customers which is in violation of Section 171 of CGST Act, 2017

Sales Return pertaining to prior GST period deducted from outward supplies above specified period.

Qualifications



g) the adjustment to the inward supplies and taxes is based on the entries made in the books of account maintained for the year except;

Input Tax credit condition not fulfilled: Availment of Input tax credit on certain invoices dated 31st March, 2018, whereas corresponding goods/ services have been received in the month of April, 2018, which is not in accordance with Section 16 of the CGST Act, 2017

Input tax credit: Availment of input tax credit on certain supplies received, but the payment for which is not made within the period of 180 days and therefore, the Input Tax Credit is liable to be reversed as per Rule 37 of the CGST Rules, 2018

Qualifications in GST Audit Report



g) the adjustment to the inward supplies and taxes is based on the entries made in the books of account maintained for the year except;

ISD: The credit distributed by an ISD is in excess of the credit available

Advances: ITC credit claimed on advances on the basis of Receipt Voucher and not on the basis of Tax Invoice.

Reversal of ITC: Failure to compute reversal of ITC on an annual basis where there is difference on the credit reversed on a month on month basis.

Qualifications in GST Audit Report



h) the exemptions and abatements claimed in the annual return are in conformity with the provisions of the law except;

Taxable supplies considered as exempt supplies

The conditions for exemptions were not fulfilled

Absence of documentations to claim exemptions

The percentage for claiming deductions like 1/3 rd land value not considered correctly

Qualifications in GST Audit Report



i) the amount of credits determined as ineligible in accordance with the provisions of the law have been disallowed in the annual return except;

Sale of food to employees

Business gifts/Festival gifts

Motor vehicle for transportation of employees

Repair expenses not capitalized

Composition tax collected by supplier and taken as credit

Qualifications in GST Audit Report



j) the classification of outward supplies, rate of tax applicable and computation of output tax and net tax payable as shown in the annual return is correct except;

Place of Supply: Classification of certain transaction as Intra state supplies instead of Inter state and has erroneously paid CGST and SGST instead of IGST or vice versa. (wrong place of supply)

Classification of taxes: Wrong HSN Classification of certain supplies at a rate of 12%, instead of 18% , thus discharging taxes at a lower rate.

Time of supply: Change in rate of tax- provisions of Section 14 have not been complied with

Qualifications in GST Audit Report



k) the computation and classification of inward supplies, the amount of input tax paid and deductions of input tax credit claimed in the annual return is correct and in conformity with the provisions of law except;

Invoicing: Duplication in invoices (availed ITC based on same invoice)

Input Tax Credit Reversal: Failure to restrict Input tax credit on capital goods used for the purpose of effecting both exempted and taxable supplies, thereby violating Section 17(2) of the CGST Act, 2017 on a monthly basis

Input Tax Credit: Failure to reverse input tax credit on capital goods used partly by the director for his personal use.

Qualifications in GST Audit Report



k) the computation and classification of inward supplies, the amount of input tax paid and deductions of input tax credit claimed in the annual return is correct and in conformity with the provisions of law except;

Failure to discharge liability on services imported in the course of business falling under reverse charge mechanism.

ITC Reversal: for the purposes of ITC reversal involving land and building, the value of land and building was not taken as the same adopted for the purpose of paying the stamp duty u/r 42.

Input Tax Credit: ITC availed on tax component of the capital goods where depreciation has also been claimed on the tax component

Qualifications in GST Audit Report



k) the computation and classification of inward supplies, the amount of input tax paid and deductions of input tax credit claimed in the annual return is correct and in conformity with the provisions of law except;

Input Tax Credit: Availing input tax credit without proper documents as specified under section 16 of the Act.

ITC: In case of amalgamation or demerger, the transfer of ITC has not been complied as per the Act

Qualifications in GST Audit Report



1) other information given in the return is correct and complete except;

Return: Discrepancy with the amount of credit / cash being utilized to off-set the liability

Transitional Credit: Transitional credit claims being processed with error in case of mismatch in GSTIN

Failure to discharge interest @ 18% p.a. on delayed payment of tax for the month of February 2018

Non- payment of statutory dues (tax, interest, penalty or fees) while filing the returns for a particular month

Qualifications in GST Audit Report



1) other information given in the return is correct and complete except;

Transitional credit: A case pending in the earlier law regarding the availment of credit. Yet such credit considered in transitional returns

Transitional credit: a case which was pending in the earlier law settled and the recovery of taxes is under GST for which no provision has been made as per AS- 29.

Non declaration of details of debit notes issued to its customers in the return furnished for the month of March 2018



Following points may be reviewed and to reconcile

- Check if all IDT payments are paid.
- Check if all eligible credits have been claiming within stipulated time.
- Check if all returns are filed within the due date with appropriate disclosure of credits and liabilities.
- Check if all export benefits are claimed within due date.
- Check if goods with job workers are reconciled with appropriate treatment for credits
- Check if all liabilities are recognized including RCM payments

