

Audit under GST

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Agenda

25/08/2018

Karnataka State Chartered Accountants Association
@ Shivamogga

Need for GST Audit

Regulator's Perspective

- Assurance on compliances by tax payer
- Assurance on tax collections
- Timely recovery of tax dues
- Flow of ITC from Supplier to Recipient

Tax Payer's Perspective

- Proper compliance
- Corrective action in case of any deficiencies
- Avoids interest and penalties
- Avoids litigations

GST Audit

[Section 2(13)]

Means examination of -

- Records
- Returns and
- Other documents

Maintained or furnished by the registered person under GST Acts or rules made there under or under any other law for the time being in force.

Regulator's expectations

- To verify the correctness of –
 - a) Turnovers declared
 - b) Taxes paid
 - c) Refund claimed &
 - d) ITC availed
- To access tax payer's compliance with the provisions of the GST Act or the rules made thereunder.

Key Assertions

- Whether GST has been rightly paid?
- Whether ITC has been correctly taken?
- Whether Returns have been accurately filed?
- Whether records / documents has been correctly maintained?
- Whether exhaustive reconciliations of supplies (Outward / Inward) are in place?



Accounts and Records

[Section 35 r/w
Rule 56 & 57]

- Every registered person shall keep and maintain true and correct books of account at his principal place of business as mentioned in the RC.
- More than one place of business, related books of account shall be kept at each such places of business
- Owner or operator of a warehouse / godown and Transporter (Registered / Unregistered) shall maintain records of the consignor, consignee and other relevant details of goods in a prescribed manner.

Books of account should give true and correct account of -

- a) Production or manufacture of goods
- b) Inward and outward supply of goods or services or both
- c) Stock of goods
- d) Input tax credit availed
- e) Output tax payable and paid, and
- f) Such other particulars as may be prescribed

Manufacturer

Monthly production account showing details of:

- Raw materials used
 - Quantity manufactured
 - Wastage and byproducts thereof
 - Services used in manufacture
 - Stock Registers for RM, PM, FG & Scrap etc.,
- Goods lost, stolen, destroyed, w/o or disposed-off by way of gifts, free samples etc.,

Service Provider

- Details of goods used
- Input services utilized
- Details of services provided

Trader

Account of goods received and supplied by him and shall contain details of:

- Opening balance
- Receipt
- Supply
- Goods lost, stolen, destroyed, w/o or disposed-off by way of gifts, free samples etc.,
- Closing balance

Accounts and Records

Works Contractor

Separate accounts for works contract showing details of:

- Persons on whose behalf works contract executed.
- Payments received in respect of each works contract.
- Suppliers from whom he received goods or services.
- Details of goods or services received / utilized for works contract.

Agent

- Particulars of authorization received by him on behalf of each principal.
- Details of accounts furnished to each principal.
- Details of goods or services received and supplied on behalf of each principal.
- Taxes paid on receipts or on supply of goods or services on behalf of each principal.

Transporter

Books of account with respect to:

- Record of goods transported, delivered and goods stored in transit.
- GSTIN of the registered consigner and consignee for each consignment.
- Owner / operator of warehouse / Godown shall store goods & maintain records owner-wise item-wise which can facilitate for inspection by proper officer on demand.

Accounts and Records

Vouchers

- Tax Invoice / Bill of Supply
Revised Invoice
- Receipt Voucher
- Refund Voucher
- Self Invoice
- Payment Voucher
- Debit and Credit Notes
- Delivery Challans

Account of Taxes

- Tax collected and paid
- Tax payable under RCM
- Input tax availed and utilized

Other Points

- Account of advances received, paid and adjustments thereon.
- Books of account can be maintained electronically.
- Period of retention of books of account – 72 months from the due date of furnishing of annual return or one year after the disposal of appeal, revision, investigation or other proceedings, whichever ever is later.

Accounts and Records

Audit by Tax Authorities [Section 65]

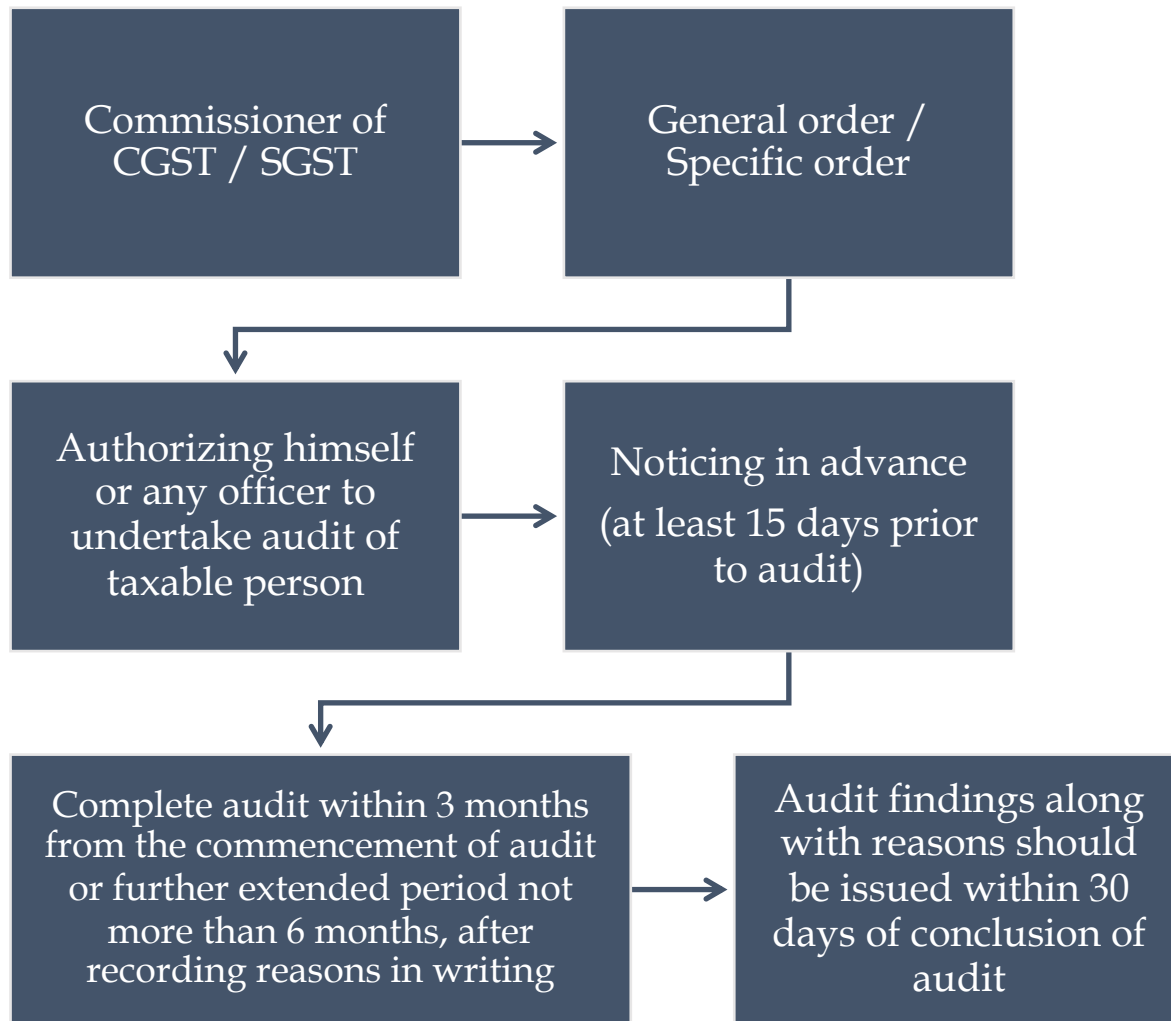
Special Audit [Section 66]

Annual Audit [Section 35 r/w Rule 80]

Types of GST Audits

25/08/2018

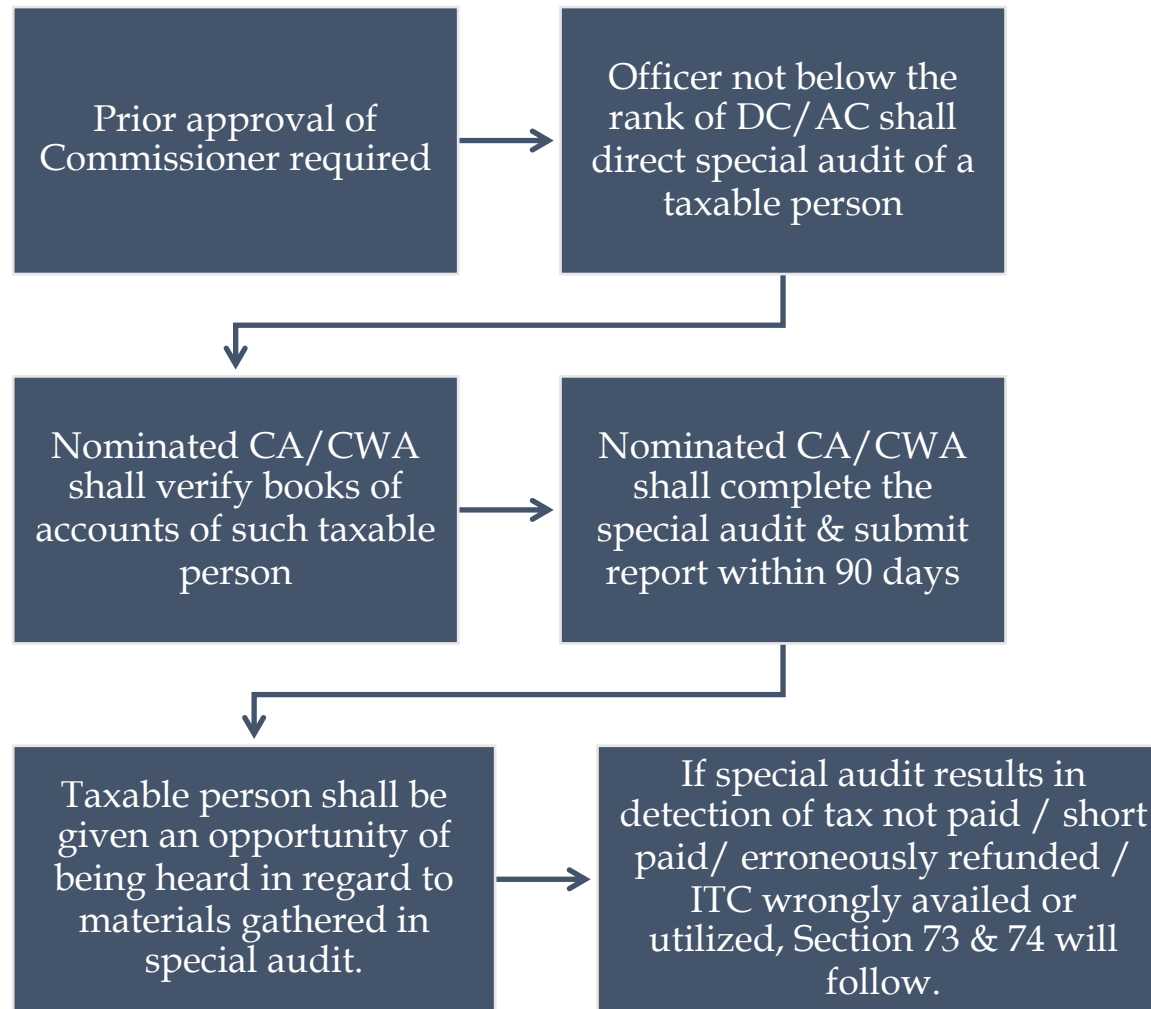
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Notes:

- Date of commencement of audit means date on which records and documents made available to officer or date of institution of audit at the place of business whichever is later.
- During the course of audit, taxable person should co-operate and render assistance in timely completion of audit.
- If audit results in detection of tax not paid / short paid / erroneous refund / wrong availment or utilization of ITC, proceedings u/s 73 & 74 will follow.

Audit by Tax Authorities



Notes:

- If at any stage of scrutiny, enquiry, investigation or any other proceedings pending before him, having regard to the nature & complexities of the case & in the interest of revenue, DC/AC shall direct special audit.
- Special audit can be directed even if the accounts of a taxable person have been audited under any other provisions of the Act / any other law for the time being in force.
- On making an application by the registered person/CA/CWA with sufficient cause, AC/DC shall extend the period by another 90 days.
- Incidental expenses and special audit fees will be determined and paid by the Commissioner and the same will be final.

Special Audit

Annual Audit

- Every registered person whose **aggregate turnover** during a financial year **> Rs. 2 Crore** shall get his accounts audited by a Chartered Accountant or a Cost Accountant.
 - Submit audited annual accounts along with a reconciliation statement reconciling the value of supplies declared in the return v. audited financial statements.
 - Such other documents in such form as may be prescribed.
 - Every registered person who is required to get his accounts audited shall also submit an annual return in such form and manner as may be prescribed [Section 44].
- Annual Return is not required to be furnished by an ISD, Person paying tax under Section 51 (TDS), e-Commerce Operator (Sec.52), Casual Taxable Person & Non Resident Taxable person.
 - Audit Report in GSTR-9C & GSTR-9D shall be furnished electronically.
 - Contents of the audit report and other particulars to be prescribed.
 - Audit Report and Audited Annual Accounts to be submitted along with annual return on or before 31st December following the end of financial year.

Aggregate Turnover

[Section 2(6)]

PAN based

Taxable supplies

Exempted supplies (includes 'Nil' rate & Non-GST supplies)

Exports

Interstate supplies

Does not include supplies liable for tax under RCM & taxes charged

Turnover in a State

[Section 2(112)]

Turnover with in State

Taxable supplies

Exempted supplies (includes 'Nil' rate & Non-GST supplies)

Exports

Interstate supplies

Does not include supplies liable for tax under RCM & taxes charged

Annual Audit

Annual Audit – Focus Areas

Classification - *Old Rates v. New Rates*

Input Tax Credit - *Eligible, Ineligible, Capital Goods, Reversals, Apportionment etc.,*

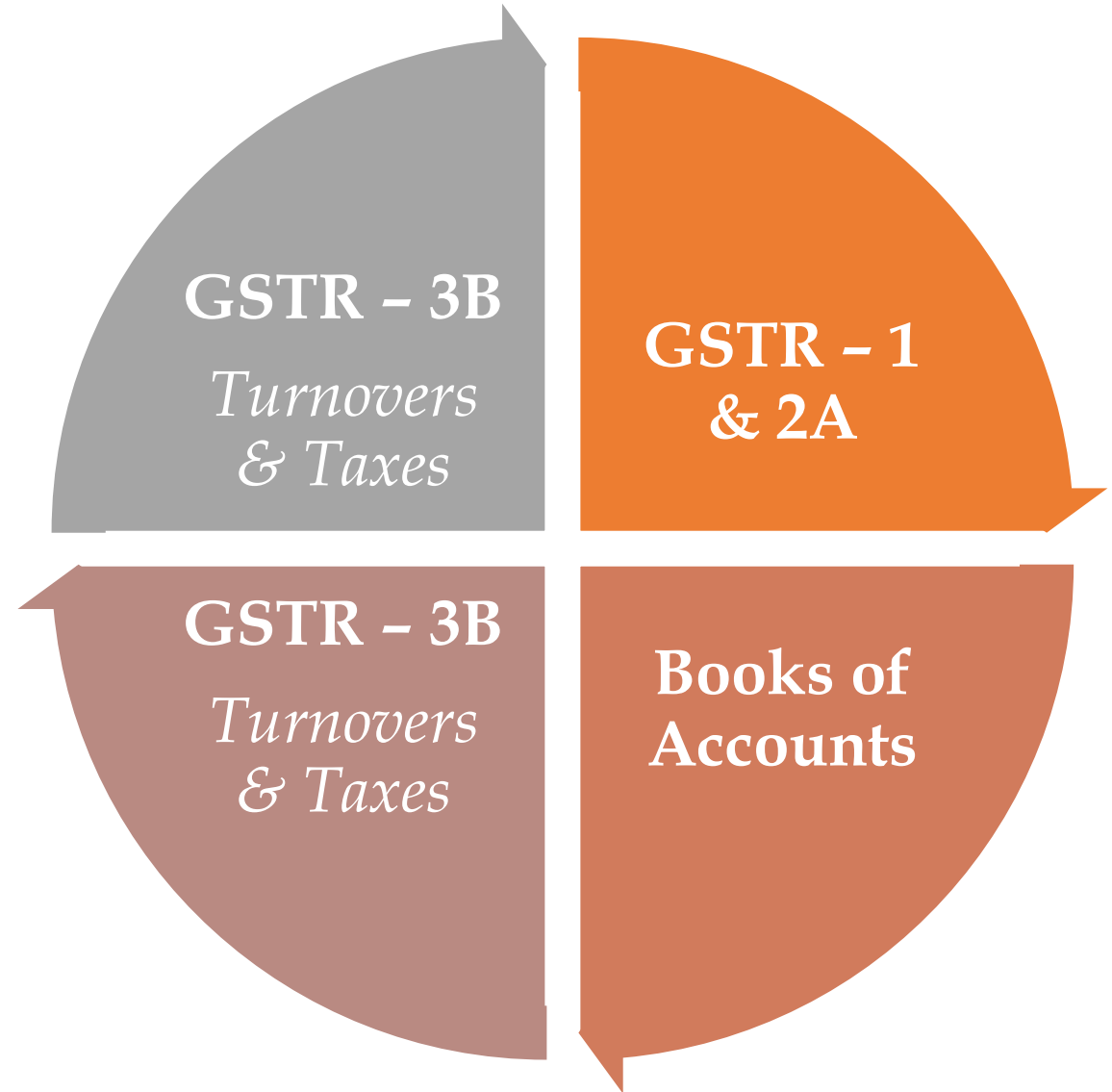
Reconciliation - *Books of account v. Returns*

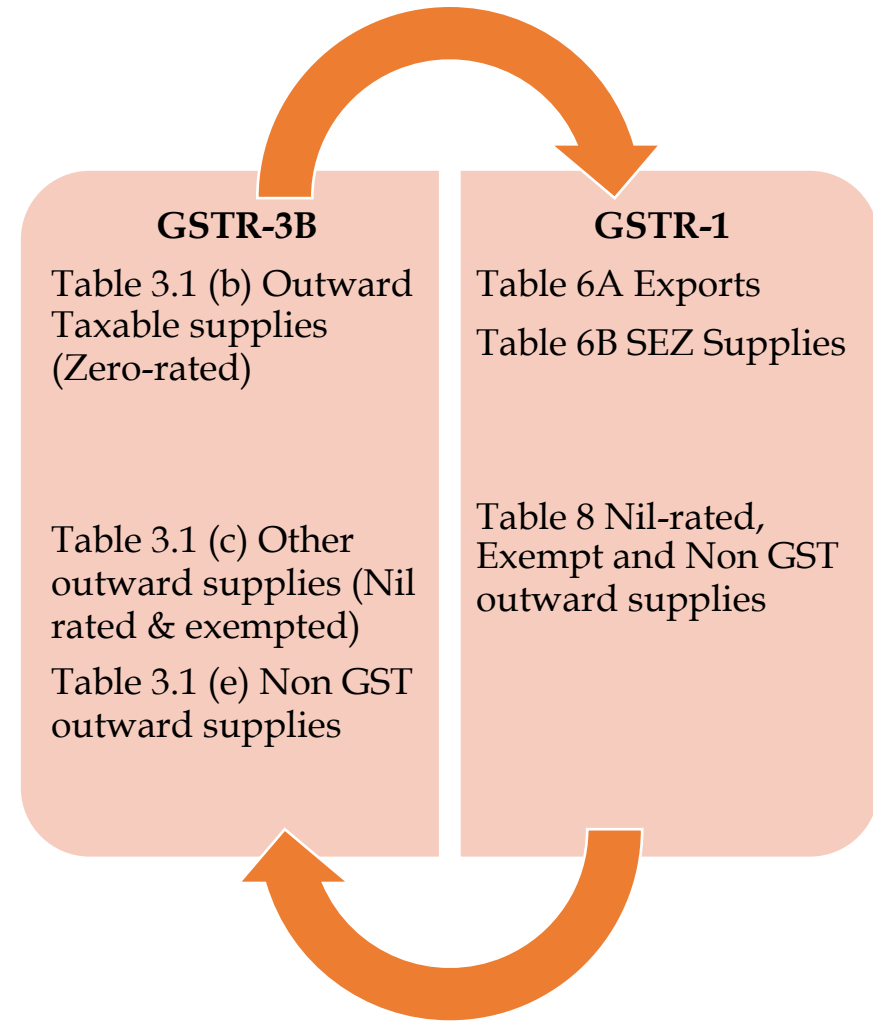
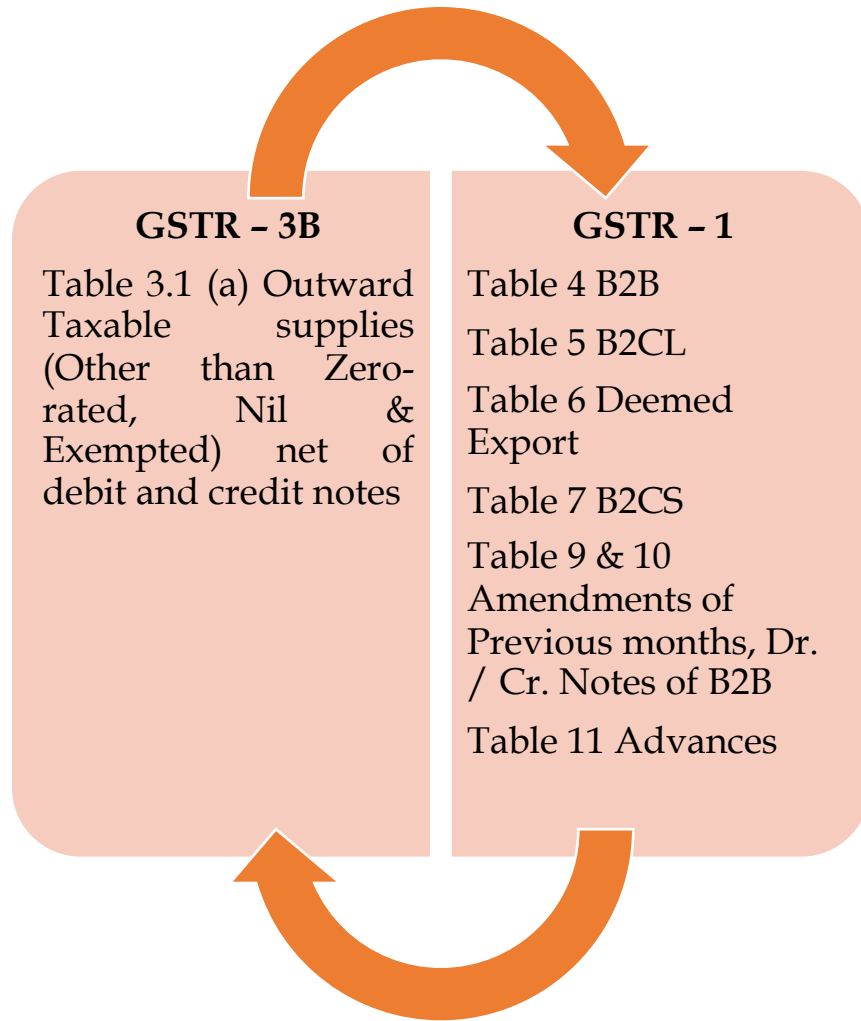
Valuation - *Deductions permissible, Value enhanced, Tax differentials*

Verification of Transitional ITC - *GST TRAN – 1 & 2*

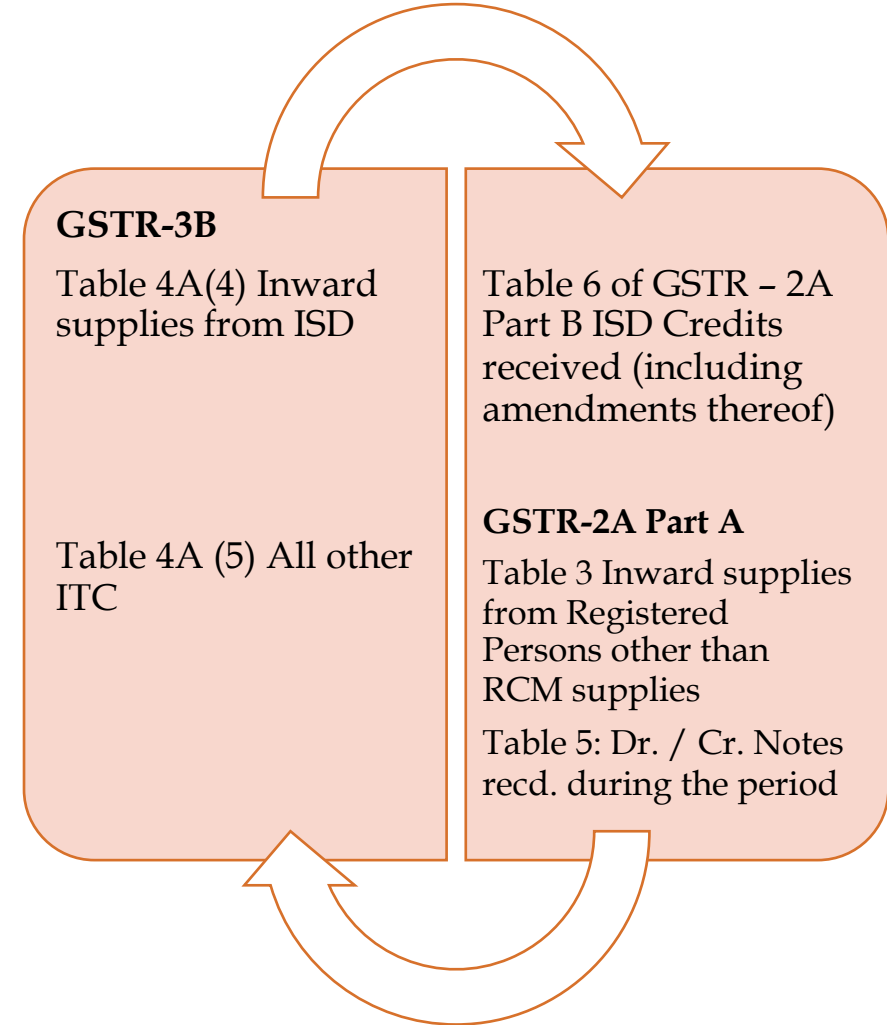
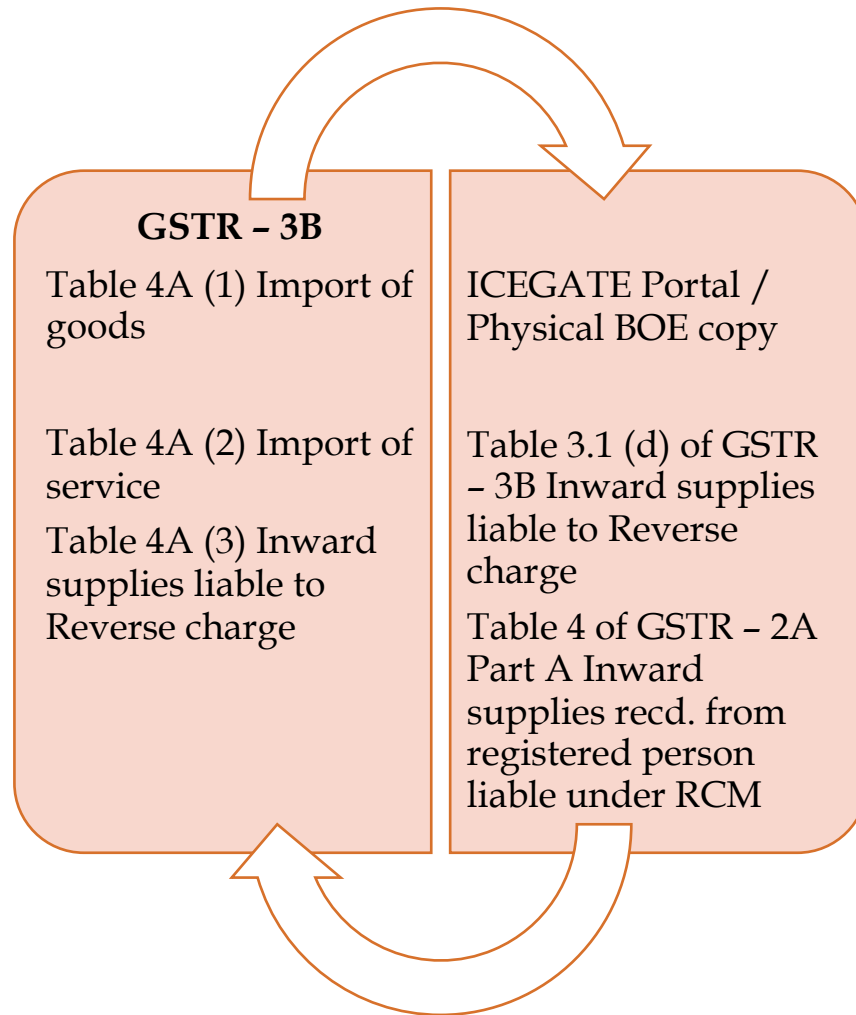
Frequent Changes - *Notifications, Circulars, Clarifications, amendments etc.,*

Reconciliation





Reconciliation - Outward Supplies



Reconciliation - Inward Supplies

Circular No. 26/26/2017 - GST dated 29th December 2017

Possible Errors

Liability over / under reported
Liability wrongly reported
ITC excess / short claimed
ITC wrongly claimed

GSTR-3B

Not filed - *Reset & Edit*

Filed - *Adjust in subsequent month's return, but ensure no negative balances reported*

GSTR - 1

Not reported - *Report in the original table*

Wrongly reported - *Correct in Amendment table*

Suggested Solutions

Rectification of errors in Returns



GSTR – 3B

Table 3 Outward Supplies

- Turnovers
- Tax payable

Table 4 Eligible ITC

- Eligible
- Ineligible
- Reversals

Table 5 Exempt, Nil & Non GST Inward supplies



Audited Financial Statements

Profit & Loss Statement

Incomes
Expenditure

Balance Sheet

Fixed Assets
Current Assets, Loans & Advances
Current Liabilities

Reconciliation

Key Pointers on ITC

Missing ITC – Avail on or before Sept'18
Month Return

ITC Reversals as per Rule 42 & 43 –
*Apportionment towards taxable, zero rated &
exempted supplies and non business purposes.*

**ITC Reversals as per Proviso to Section
16(2)** – *Payment to suppliers within 180 days*

Re-availment of reversed credits

Verification of Transitional credits –
GST Tran-1 & 2



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Q&A