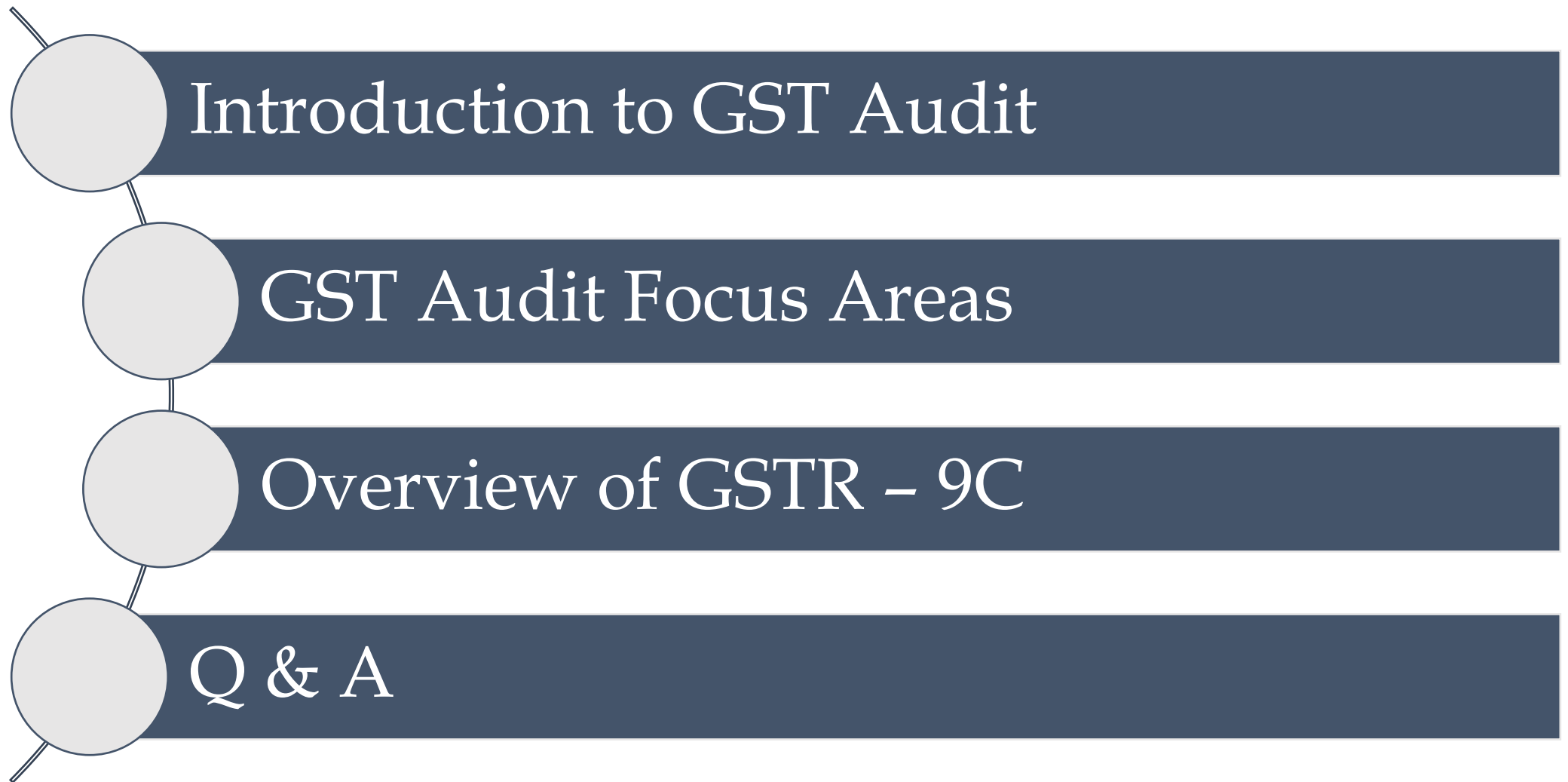


# **Technicalities behind GST Audit**

**CA. T.N. Raghavendra**



# Agenda

02/08/2019

Karnataka State Chartered Accountants Association @  
Bengaluru

# 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.

### **Auditor's Responsibility**

- 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.

# 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

# Key Assertions

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



# GST Audit

## [Section 35(5) r/w Rule 80(3)]

- 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.
  - Every registered person who is required to get his accounts audited shall also submit an annual return in GSTR-9 in such 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 shall be furnished electronically.
  - Audit Report and Audited Annual Accounts to be submitted along with annual return on or before 31st December following the end of financial year. **However, the extended due date for FY 2017-18 is 31<sup>st</sup> Aug 2019.**

## Aggregate Turnover

[Section 2(6)]

### **PAN based**

Taxable supplies (Intrastate & Interstate supplies)

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

Exports

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

## Turnover in a State

[Section 2(112)]

### **Turnover for a particular State**

Taxable supplies (Intrastate & Interstate supplies)

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

Exports

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

# GST Audit

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# GST 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*

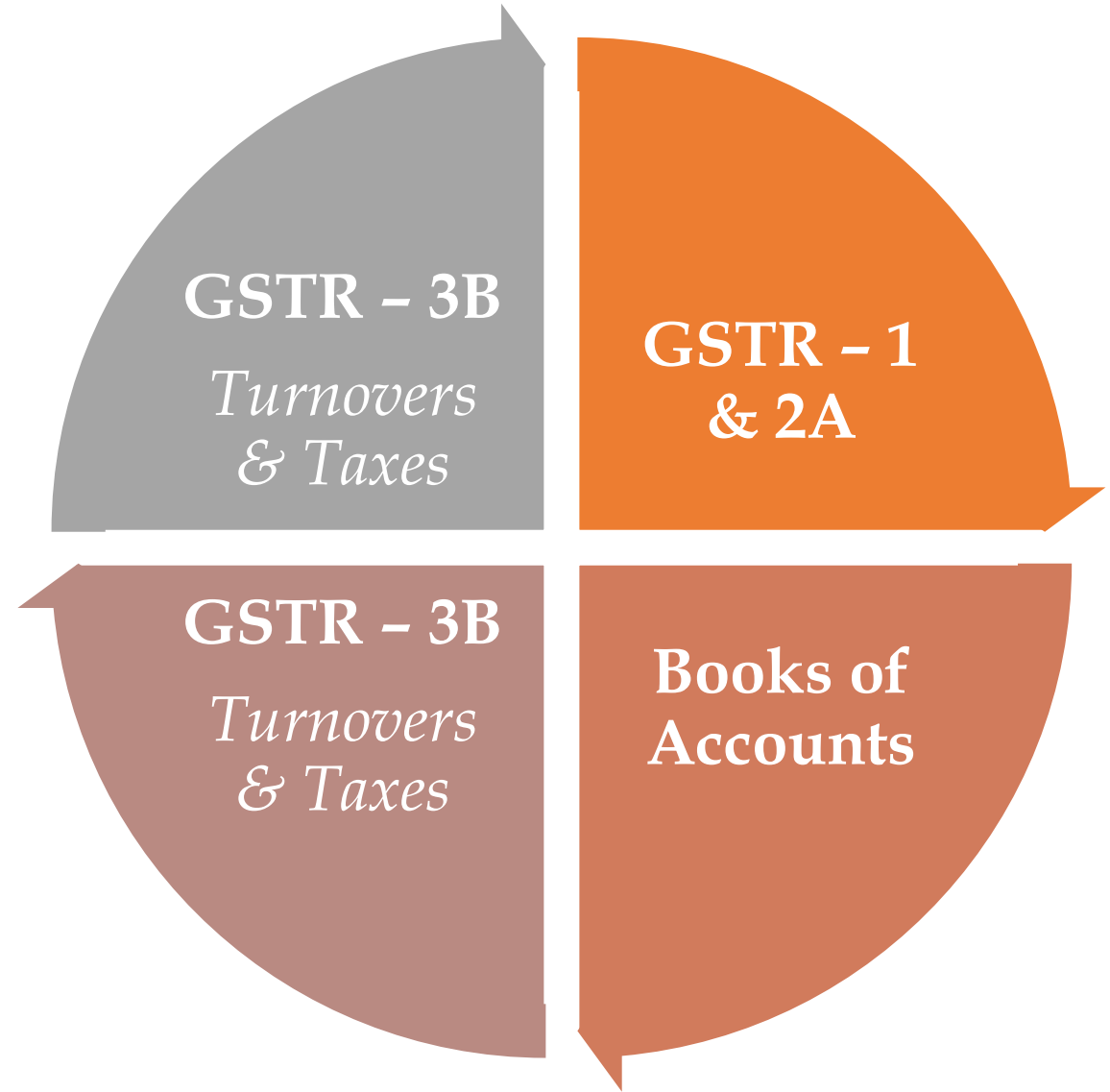
**Valuation** - *Deductions permissible, Value enhanced, Tax differentials*

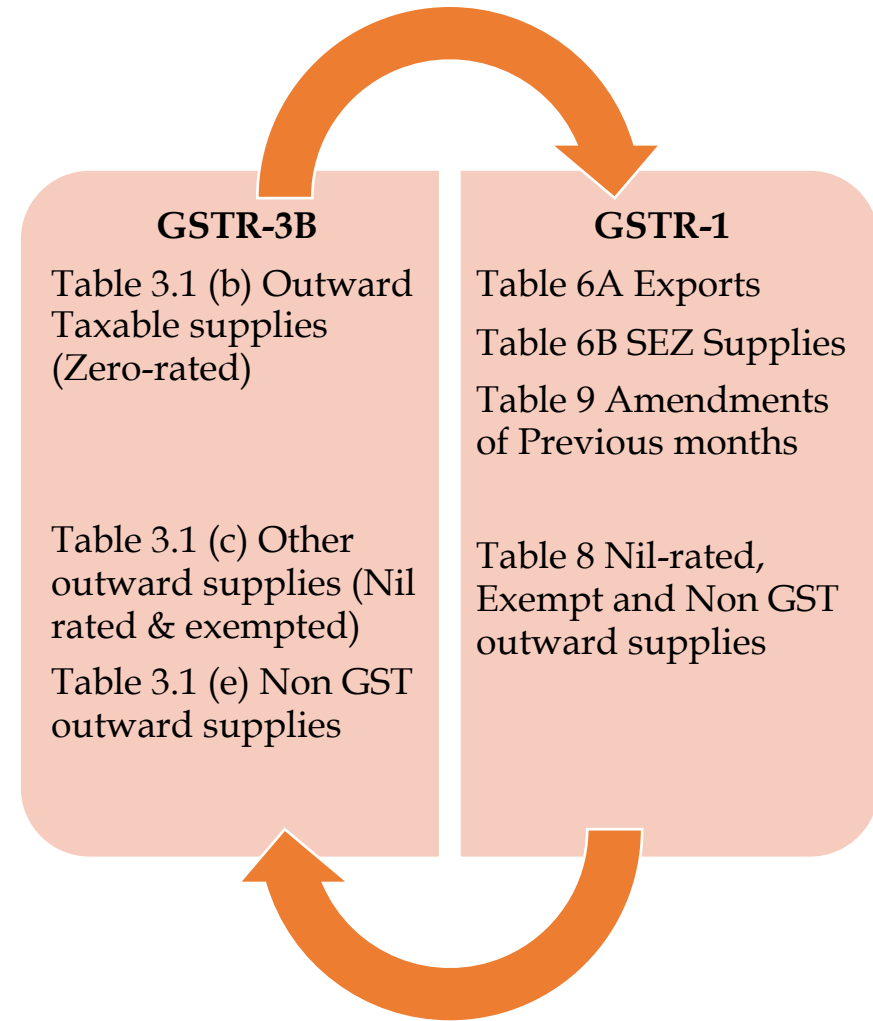
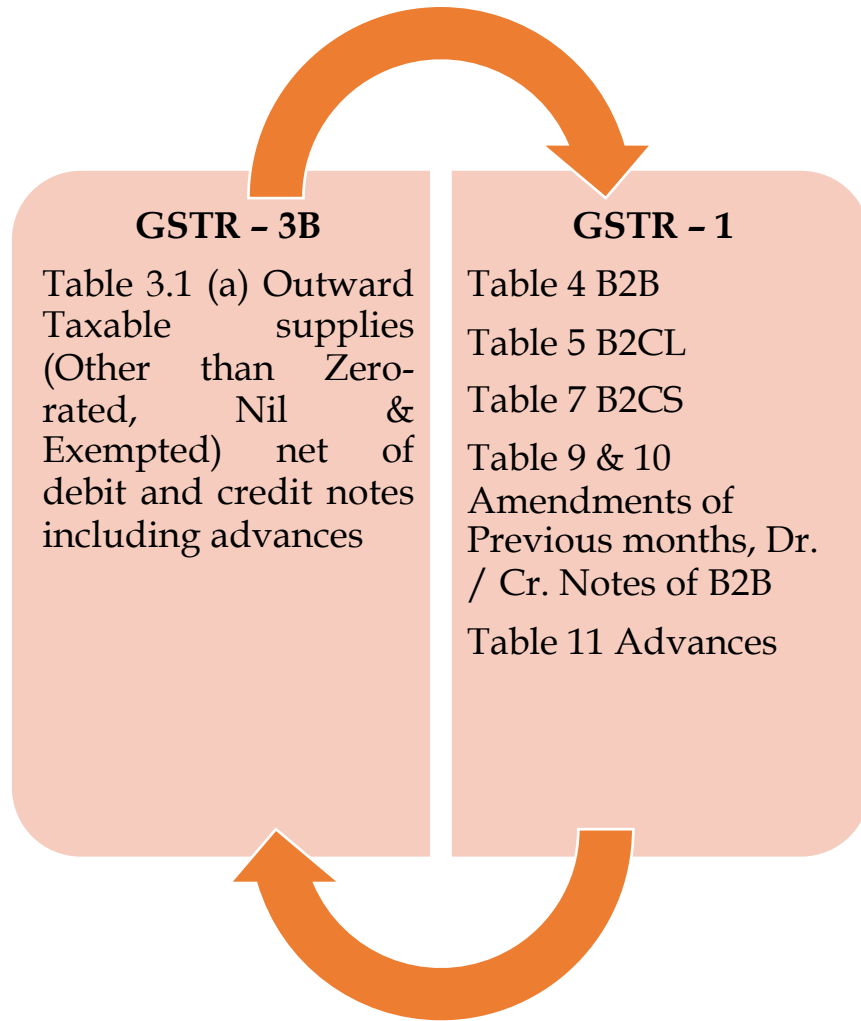
**Verification of Transitional ITC** - *GST TRAN - 1 & 2*

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

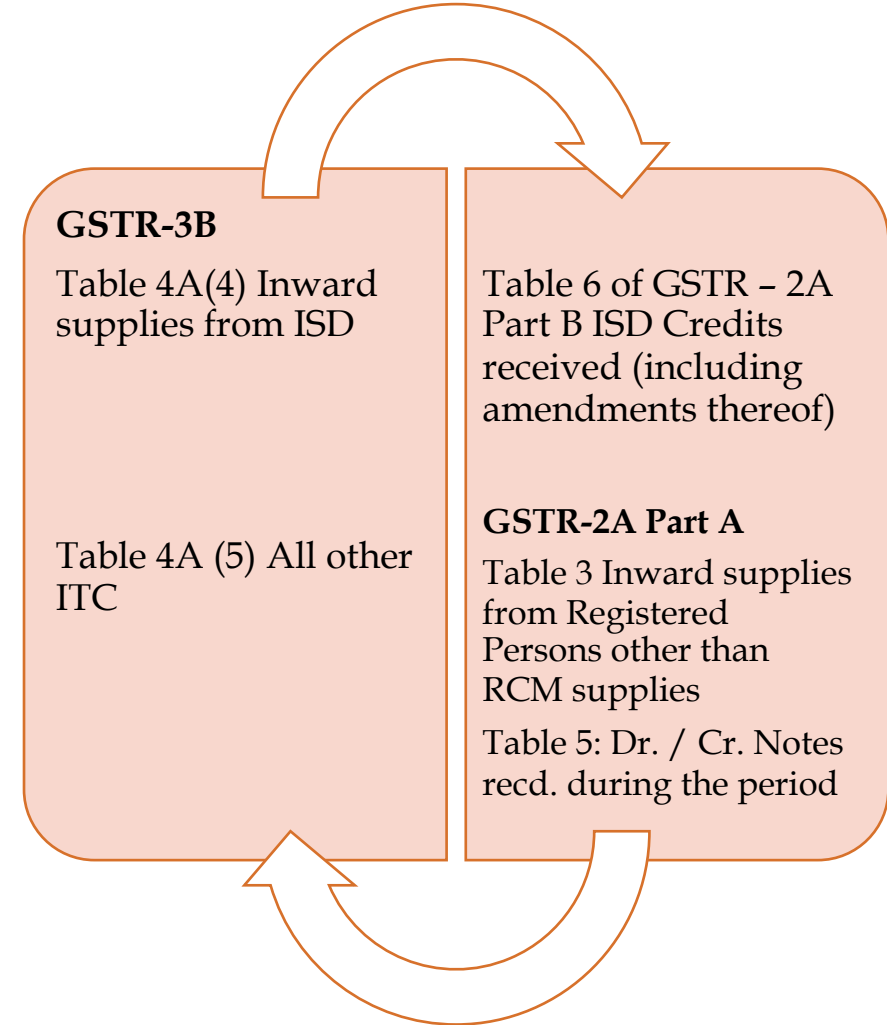
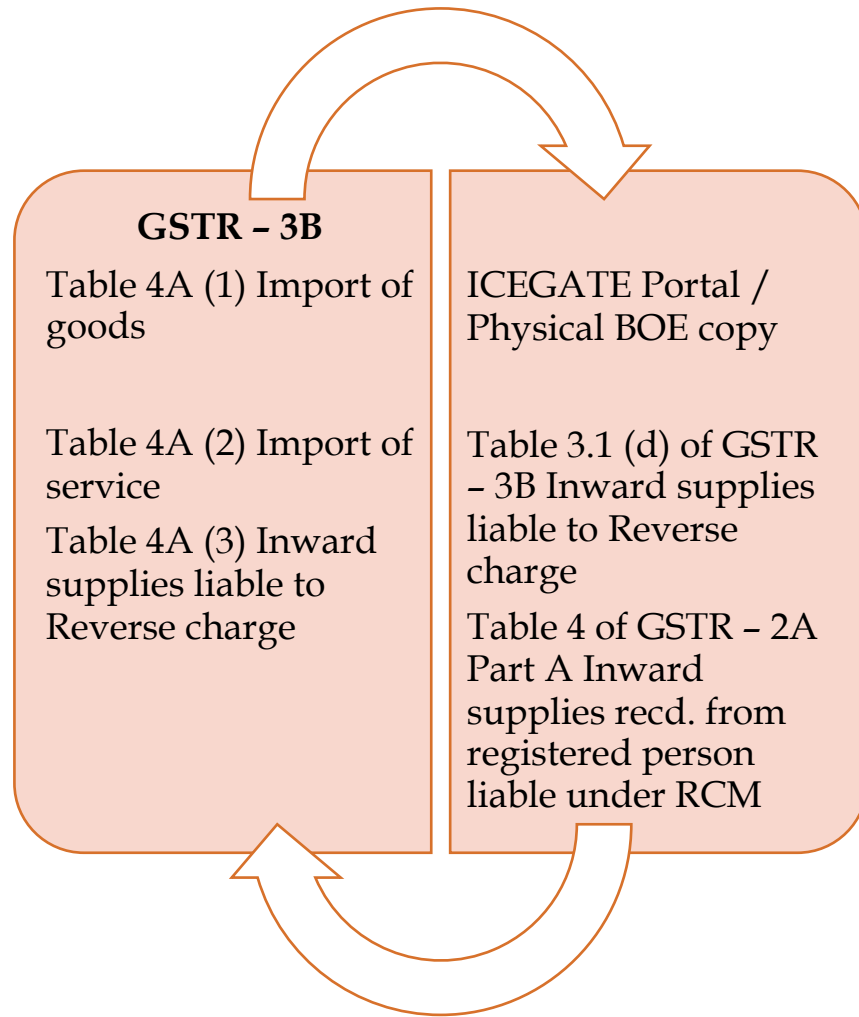


# Reconciliation





# Reconciliation - Outward Supplies



# Reconciliation - Inward Supplies

**Circular No. 26/26/2017 - GST dated 29<sup>th</sup> 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 up to Sept return of following financial year, but ensure no negative balances reported*

**GSTR - 1**

**Not reported** - *Report in the original table in subsequent months return*

**Wrongly reported** - *Correct in Amendment table up to Sept return of following financial year*

**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 synopsis**

02/08/2019

Karnataka State Chartered Accountants Association @  
Bengaluru

## Synopsys

<b>PART - A</b>	<b>Reconciliation Statement</b>
Part I	Basic details
Part II	Reconciliation of turnover declared in audited financial statements with the turnover declared in Annual Return (GSTR-9)
Part III	Reconciliation of tax paid
Part IV	Reconciliation of Input Tax Credit (ITC)
Part V	Auditor's recommendation on additional liability due to non-reconciliation
<b>PART - B</b>	<b>Certification</b>
Part I	Certification in cases where the reconciliation statement (GSTR-9C) drawn up by the person who conducted the audit
Part II	Certification in cases where the reconciliation statement (GSTR-9C) drawn up by the person other than the person who conducted the audit of the accounts

# Overview of GSTR-9C

02/08/2019

Karnataka State Chartered Accountants Association @  
Bengaluru

## “FORM GSTR-9C

See rule 80(3)

### PART – A - Reconciliation Statement

Pt. I	Basic Details	
1	Financial Year	
2	GSTIN	
3A	Legal Name	< Auto>
3B	Trade Name (if any)	<Auto>
4	Are you liable to audit under any Act? <<Please specify>>	

- The details to be furnished for the period July 2017 to March 2018
- To be filed for every GSTIN separately
- Mandatory to file all GSTR-1s, GSTR-3Bs & GSTR-9 for FY 2017-18

		(Amount in ₹ in all tables)
Pt. II	<b>Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)</b>	
5	<b>Reconciliation of Gross Turnover</b>	
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)	

- Turnover of 12 months i.e. April 2017 to March 2018 to be considered.
- Turnover to include other incomes & credits in expenses accounts.
- For single registration – Turnover as per audited financial statements to be considered.
- For multiple registrations – Turnover for the State / UT should be derived from the audited financial statements.
- Certified Trial Balance for each registration be insisted upon.



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	(+)	

### Deemed Supplies under Schedule I (Without consideration)

- Permanent transfer / disposal of business assets on which ITC is availed
- Stock transfers / Branch Transfers
- Supplies to relatives
- Gifts to employees > Rs.50,000/- in value in a financial year
- Import of services from a related person / any other establishment outside India

❖ *After sales discounts (Quantity / Volume / Target based discounts) provided to customers not agreed at the time of sale.*

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	(-)	

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	(+/- )	

- Turnover as per books along with transitional impacts.
- Financial Credit Notes (without GST) issued to customers.
- Supply of goods by SEZ units to DTA units on which Bill of Entry is filed by its customers.
- Turnover of Registered person switching from Composition Scheme to Regular Scheme on crossing of threshold limit of Rs.1 Crore.
- Supplies to related persons - Open Market Value as per Valuation Rules, Abated values etc.,
- Goods sent on approval basis but not returned within 180 days.
- Taxes collected forming part of turnover in the audited financial statements.

P	Annual turnover after adjustments as above		<Auto>
Q	Turnover as declared in Annual Return (GSTR9)		
R	Un-Reconciled turnover (Q - P)		<b>AT1</b>
6	<b>Reasons for Un - Reconciled difference in Annual Gross Turnover</b>		
A	Reason 1	<<Text>>	
B	Reason 2	<<Text>>	
C	Reason 3	<<Text>>	

- Turnover as declared in GSTR-9 - 5Q = Sl. No. 5N + 10 - 11 of GSTR-9 i.e. Total turnover including advances but excluding inward supplies liable for tax under RCM and amendments / corrections (including Debit / Credit notes) made during the period April 2018 to March 2019.

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)	<b>AT 2</b>
8	<b>Reasons for Un - Reconciled difference in taxable turnover</b>	

- Values to be reported net of credit notes, debit notes and amendments, if any.
- **Sl. No.7D will be from Supplier's perspective - Supplier making RCM supplies on which recipient is liable to pay tax.**
- 7F = Sl. No. (4N-4G) + (10-11) of GSTR-9 i.e. Supplies and advances on which tax is to be paid excluding inward supplies on which tax is to be paid on reverse charge basis after considering amendments / corrections made during April 2018 to March 2019.

Pt. III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
				Tax payable		
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6

- Provide rate-wise breakup for Taxable Turnover arrived at Sl. No.7E
- This information will be as per audited financial statements / trial balance

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	
10	Reasons for un-reconciled payment of amount				
A	Reason 1	<<Text>>			
B	Reason 2	<<Text>>			
C	Reason 3	<<Text>>			

- Sl. No.9Q Total amount paid as declared in GSTR-9 = Table 9 + Tax adjustments for amendments / corrections (including Credit / Debit Notes) made during the period April 2018 to March 2019 relating to previous year.

11	<b>Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)</b>					
			To be paid through Cash			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					

- Unreconciled items with tax payable should be plotted in this table and such tax to be paid through Form DRC-03 in cash only **(No ITC utilization available)**.

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

- ITC (after reversals) for the period Jul'17 to Mar'18 to be considered as per audited financial statements for a single registration. For multiple registrations, from books (State wise Trial Balance).
- TRAN-1 Credits to be considered at Sl. No.12(B). TRAN-2 Credits will be part of Sl. No.12(A).
- Sl. No.12(C) to include – ITC on advances (Receipt Voucher) and supplies not received, Goods received in lots or instalments etc.,
- Sl. No.12(E) ITC claimed in GSTR-9 = Table 7J of GSTR-9 – Net ITC available for utilization



14	<b>Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account</b>			
	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			

- Indicative list of expense head wise ITC availed as per audited financial statements or books.
- Identifying the ITC on ineligible items charged off of P&L poses a challenge.
- This data may be correlated with ITR filed
- GSTR-2A may be used for reconciliation and populating above information.
- Total should be reconciled with Sl. No.7J - Net ITC available for utilization of GSTR-9.

16	<b>Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)</b>	
	Description	Amount Payable
	Central Tax	
	State/UT Tax	
	Integrated Tax	
	Cess	
	Interest	
	Penalty	

- Tax payable on un-reconciled difference in ITC due to reasons specified in Sl. No.13 & 15 should be populated here.

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			To be paid through Cash			
	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					

- Additional liability on unreconciled turnovers (Table 11) or unreconciled input tax credit (Table 16) to be discharged by the tax payer be reported.
- Any other amount to be paid for supplies not included in the Annual Return be reported.
- Any erroneous refund to be paid back and other outstanding amounts to be settled should be reported here.
- Any additional liability reported here shall be discharged through Form DRC-03 in cash only.

Verification:

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

\*\*(Signature and stamp/Seal of the Auditor)

Place: .....

Name of the signatory .....

Membership No.....

Date: .....

Full address .....

Verification of registered person:

I hereby solemnly affirm and declare that I am uploading the reconciliation statement in **FORM GSTR-9C** prepared and duly signed by the Auditor and nothing has been tampered

or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.

Signature

Place:

Date:

Name of Authorized Signatory  
Designation/status

- Is GSTR-9C a Reconciliation Statement or a Certificate?
- Certificate in Part B I shall be applicable where both Statutory Audit and GST Audit is performed by a same Chartered Accountant.
- Certificate in Part B II shall be applicable where GST Audit is performed by a Chartered Accountant other than a Statutory Auditor.



**CA. T.N. Raghavendra**  
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**Q&A**