

GST Audit and Annual Return

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About GST Audit

What is Audit under GST Law ?

Annual Audits: Mandatory for registered person whose aggregate turnover during a financial year exceeds 2 Crore

Audit by Tax Authorities: Commissioner or any officer authorised by him may undertake audit of registered person (Section 65 & Rule 101)

Special Audit: if proper officer is of opinion that value has not been correctly declared or credit availed is not within the normal limits, he may such direct registered person to get his records examined and audited by a chartered accountant or cost accountant nominated by him (Section 66 & Rule 102)

Concept of Annual audits has been discussed in this publication.

GST Audit – Why ,Who & When

Why GST Audit ?	<ul style="list-style-type: none">• To ensure the compliance of law by taxable person• Reliance of Tax Administration on Self Assessment• Determination of tax liability without intervention of tax official
Who Can conduct GST audit ?	Practicing Chartered accountant or practicing Cost Accountant
What is the Due Date? (GST Audit & Annual Return)	For Financial year 2017-18 Extended due date is 30 th June 2018.
What if Not filed on Due Date ?	Late Fees of INR 200/- per day during which failure continues subject to maximum of 0.5% of the turnover in State .

Relevant Provisions on GST Audit

Section 2(13): Definition of Audit

- Audit means the examination of
- records, returns and other documents
- maintained or furnished
- by the registered person
- under this Act or the 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

Relevant Provisions on GST Audit

Section 35(5)	Audit applicability
Section 44(1) & 44(2)	Annual Return
Rule (80)(3)	Form and Manner of Filing
Section 2(6)	Definition of aggregate turnover

Gist of the Provisions mentioned above

Every registered person Other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person has to file annual return.

Where aggregate turnover during a financial year exceeds 2 crore

- ✓ Registered person has to get his account audited and
- ✓ furnish copy of audited annual accounts and
- ✓ Reconciliation Statement Duly Certified (Form GSTR-9C)

along with the annual Return.

Relevant Provisions on GST Audit

Reconciliation statement reconciles the value of supplies declared in returns furnished for the financial with audited annual financial statement

Aggregate turnover means the aggregate value of

- ✓ all taxable supplies
- ✓ exempt supplies,
- ✓ exports of goods or services or both and
- ✓ inter-State supplies of persons having the same Permanent Account Number,
- ✓ to be computed on all India basis

excluding

- the value of inward supplies on which tax is payable by a person on reverse charge basis and
- central tax, State tax, Union territory tax, integrated tax and cess

Indicative Checklist for GST Audit

- | | |
|---|--|
| <ul style="list-style-type: none">• Engagement letter• Management Representation Letter (MRL)• Reconciliation of GST Returns filed for Financial year<ul style="list-style-type: none">✓ Liability declared in GSTR-1 vs Paid in GSTR-3B✓ Input Tax Credit Availed in GSTR-3B vs available in GSTR-2A✓ Liability and Input Tax Credit (ITC) as per return vs as per books• Review employee benefits• Display of Certificate of registration, GSTIN• Self issued invoices• GST payable on transfer/disposals of fixed assets | <ul style="list-style-type: none">• ITC Eligibility ,Availment – Ineligible ITC ,• ITC Reversal in case of<ul style="list-style-type: none">✓ payment not made in 180 days✓ Common expenses & exempt outward supplies• Tax charged on Recovery of canteen expenses from employee• Interest computation in case delay in tax payments/ filing GSTR-3B• Place of supply for outward and inward supply• Valuation for related party transaction• Goods held with job-worker, review of ITC-04• Refund Claim – Eligibility• Tax liability on advances |
|---|--|

Key Focus Areas for GST Audit

- ✓ Input Tax Credit
- ✓ Reverse Charge Liability
- ✓ Valuation
- ✓ Classification
- ✓ Frequent Changes
- ✓ Reconciliation
- ✓ Maintenance of account and records
- ✓ Cross Charge for common cost sharing (in case of multi-state operations)
- ✓ Transitional Credit

Important Facts on GST Annual Return

- ✓ Annual return once filed can not be revised
- ✓ Annual return in form GSTR-9 is required to be filed by every taxpayer registered as normal taxpayer during the relevant financial year
- ✓ Annual return (GSTR-9) can filed only if all GSTR-1 & GSTR-3B for financial year 2017-18 has been filed
- ✓ Additional liability for the FY 2017-18 not declared in Form GSTR-1 and Form GSTR-3B may be declared in this return. However, taxpayers cannot claim input tax credit unclaimed during FY 2017-18 through this return

Important Facts on GST Audit

- ✓ Audit Report once filed can not be revised
- ✓ Reconciliation statement (GSTR-9) can filed only if all GSTR-1 & GSTR-3B for financial year 2017-18 has been filed
- ✓ Similarly it is mandatory to file all GSTR-1 , GSTR-3B & GSTR-9 before GSTR-9C is filed
- ✓ Additional tax liability can be paid through FORM DRC-03 and that too using cash ledger only

Annual Return (FORM GSTR-9)

Part- I Basic Details	Basic Details		
Part- II Outward and Inward Supplies	(details as declare d in returns filed during FY)	A. Transactions on which tax is payable	B. Outward Supplies on which tax not payable
Part- III Input Tax Credit (ITC)		C. Total ITC Aailed Through Form GSTR-3B (Auto Populated) D. Breakup of ITC Input Capital goods Input Services E. Difference (C) - (D) Ideally this amount should be ZERO F. Other Credits Transition Credit through TRAN -I & TRAN II Any Other ITC Aailed but not specified above G. ITC Reversed as per Rule 37 / 39 / 42 /43 & Section 17(5) Reversal of TRAN-1 & TRAN-II Credit & Other reversal	
Reconciliati on between	ITC as per GSTR-2A ITC on received during FY 2017-18 but aailed during April to September 2018 ITC available but not aailed ITC available but Ineligible		

Annual Return (FORM GSTR-9)

GSTR-2A & ITC Availed	IGST Paid (-) IGST Credit availed on import of goods Total ITC to be lapsed in current FY
Part- IV Tax paid (as declared in returns filed during FY)	Separate Disclosure required for tax payable & paid through Cash & ITC respectively (For each head of tax (IGST CGST SGST Cess), Interest, Late Fess , Penalty & Other payments)
Part- V Transactions for previous FY declared in returns for April to September of current FY	Supplies/tax reduced through Amendments (-) /(+) (net of credit notes) (net of debit notes) ITC availed for previous FY Reversal of ITC availed during previous FY
Part- VI -Other Information	Particulars of Demand & Refunds HSN Wise summary of Outward & Inward Supplies Inward supply from composition taxpayers Deemed Supply & Goods Sent on approval Basis but not returned Late Fees Payable & Paid

Reconciliation Statement (Form GSTR-9C)

Part-A Reconciliation Statement

Pt. I. Basic Details

Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

Reconciliation of gross turnover
Reconciliation of taxable turnover

Pt. III. Reconciliation of tax paid

Reconciliation of rate wise liability and amount payable thereon
Additional amount payable but not paid

Pt. IV. Reconciliation of ITC

Reconciliation of Net ITC
Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement / books of account

Pt. V Auditor's recommendation on additional Liability due to non-reconciliation

Part-B

Certification: In case where GSTR-9C is drawn up by
I. a person who conducted the audit of accounts
II. A person other than the person who conducted the audit of accounts

Contact Details

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