

- Stock of Goods
- Transportation of Goods
- Other documents as may be prescribed

**Q6. What is the indicative list of documents, other than as available on GSTN, required to be furnished by the taxpayer?**

The Taxpayer will be required to furnish:

- Copies of Balance Sheet, Profit & Loss Accounts with all complete schedules
- Annual returns submitted to the Registrar of Companies
- Income Tax Returns along with the Annexures and Income Tax audit report, if any, under Section 44AB of the Income-tax Act, 1961
- Directors/Auditors Report
- Cost audit report, if any, under Section 148 of the Companies Act, 2013
- Form 26 AS
- Details of Anti-Evasion/ Preventive/ DGGSTI cases booked, if any and copy of SCN issued thereof
- Copy of VAT annual return
- List of major input supplies with specific mention of HSN Code and applicable rate of GST

The taxable person will be also required to provide necessary facility and give information /assistance for timely completion of audit.

**Q7. What is the purpose of Audit under GST?**

To verify the correctness of –

- Turnover declared
- Taxes assessed & paid
- Refund claimed
- Input Tax Credit availed, and
- To assess compliance with the provisions of the GST Acts or the rules made thereunder

**Q8. What are the frequent issues detected during audit?**

- Non-payment/ short payment of Tax
- Wrong classification of Goods/Services
- Short/Excess payment of Tax due to improper calculation/ accounting
- Collecting Tax from the customers but not paying the same to the Government
- Wrong availment of ITC on ineligible document
- Tax not paid on advance in case of services
- Reverse Charge Mechanism liability



**Q9. Some useful tips for taxpayers**

- Conduct timely reconciliation of records
- Compare e-Way Bills with respect to data in GSTR-1
- Compare GSTR-3B Returns filed, with GSTR-2B and GSTR-1, and ensure that all data matches
- To have clear understanding of the provisions of CGST Act and Rules made thereunder
- Timely filing of GSTR-9/9C return (whichever is applicable)

**Q10. What are the Audit findings?**

On conclusion of an Audit, the officer will inform the taxable person within 30 days:

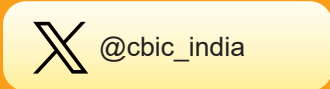
- Findings in FORM ADT-02
- Reason thereof

If the audit results in the detection of unpaid/short paid tax or wrong refund or wrong input tax credit availed, and the amount indicated by the auditor is not paid by the taxpayers, then demand and recovery actions will be initiated as per law.

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# GST AUDIT PATH TO COMPLIANCE

(Updated as on November 2023)



Directorate General of Taxpayer Services  
CENTRAL BOARD OF INDIRECT TAXES & CUSTOMS  
www.cbic.gov.in

## GST Holds the Key

In a revolutionary step, Goods and Services Tax (GST) was introduced to unite India's markets and simplify the complex web of State and Central Taxation Laws. GST paved the way to a uniform structure in taxation of goods and services across the nation, ensuring uniformity in terms of taxable event, tax rates, point of levy, provisions for registration, return filing, tax payment, refunds, audit, adjudication, appeals etc.

## GST Audit: Navigating the Maze

**Audit** under GST is an important compliance verification tool to measure the level of compliance of a taxpayer in the light of the provisions of the CGST Act, 2017 and the Rules made there under. The whole edifice of GST eco-system is built on Self-assessment/self-compliance by GST Taxpayers. It is aimed to bring transparency, deter tax evasion, and guide towards compliance accuracy in businesses.

## GST Audit in Action

GST Audit is mandated to do a meticulous scrutiny of taxpayer's transactions to validate the accuracy of the reported GST liability. The activity of Audit by the department is to,

- examine the records, returns and other documents maintained or furnished by the taxpayer
- verify the correctness of turnover declared, taxes paid, refund claimed, and input tax credit availed, and
- assess taxpayer's compliance with the provisions of the CGST Act, 2017 and the Rules made there-under.

## Principles of GST Audit

- **Risk-Based Selection:** The audit process begins with Risk-based selection of taxpayers to be audited. The primary objective of GST Audit is to translate the identified risk parameters into a meaningful review and an Audit Plan to ensure efficiency;
- **Systematized and Comprehensive:** GST Audits follow a methodical and all-encompassing approach, ensuring a meaningful and efficient audit;
- **Technique based on materiality:** Degree of scrutiny and application of an audit tool is applied depending upon the identified nature of risk factors;
- **Record Every Detail:** Proper recording of all checks and findings made during the entire audit;
- **Exploring the Uncharted:** Identify the unexplored compliance verification parameters;
- **Educating Taxpayers:** Taxpayers are educated for tax awareness and better compliance.



## The GST Audit Process

The GST Audit process includes the following steps:

- The auditee is formally notified of an upcoming audit through the prescribed format (FORM GST ADT-01) at least 15 working days prior to the conduct of audit.
- FORM GST ADT-01 also enlists the documents and data to be submitted to the Auditor for a preliminary review. A period of 15 days is prescribed for submission of the documents.
- The audit will officially commence when the auditor accepts the documents submitted by the auditee or initiates verification of the business premises, whichever is later.
- During the audit, the authorized officer may request access to verify the books of accounts or other necessary documents. Auditee/taxpayer's cooperation is crucial for a timely completion of audit.
- On completion of the audit verification, Auditee/taxpayer receives the preliminary findings, and his views/comments are recorded to finalize the observations.
- On finalization of observations, the results are sent to the Auditee/taxpayer in the form of Final Audit Report (Form GST ADT-02) within 30 days.
- The Auditee/taxpayer is given the option to make the payment of tax short paid / not paid with waiver of show cause notice. The final audit findings are informed to the Auditee/taxpayer within 30 days along with his rights and obligations and the reasons for such findings.
- The entire audit process is to be completed within 3 months from the date of commencement, with the provision of further 6-month extension if necessary.
- The Auditee/taxpayer is not required to provide most of the digital information, as this data is already available with the department.
- Audits verification may be conducted at the place of business of the registered taxpayer or at the office of the authorized officer.
- The emphasis of the audit is on trade facilitation and providing non-intrusive environment to taxpayers.

## Benefits of Audit to Taxpayers

Participating in GST Audits offers several benefits for the tax compliant auditee:

- **Enhanced Compliance:** Taxpayer gain a better understanding of tax laws and procedures, making compliance smoother.
- **Precision in Returns:** Taxpayer's GST returns and Self-assessments are prepared accurately, with a sharper focus on correctness and completeness.
- **Improved Accounting:** Audits can help taxpayers in spotting and rectifying deficiencies in your accounting and internal control systems.

- **Fewer Hassles:** With thorough audits, the chances of disputes and legal proceedings decrease significantly.

**GST Audit is not only for reconciliation of tax liability and payment thereof, but it also encompasses the verification of compliance with the provisions of the GST laws by a registered person and educating the taxpayers to be more complaint with the law and procedure.**



## FAQs on Audit under Section 65 of the CGST Act, 2017

### Q1. What is Audit under CGST?

- An Audit under CGST involves the examination of records, returns, and documents related to Input Tax Credit (ITC) and Refunds. Its purpose is to validate tax payments and compliance by the taxpayers.

### Q2. Which records, returns and other documents are examined during Audit by departmental officers?

- Documents which are maintained by the registered person, or
- Documents furnished by the registered person under GST or any other law for the time being in force

### Q3. Where can Audit of a taxpayer be conducted?

Audit of records can be carried out either at the jurisdictional office premises of the tax authority (desk-based audit) or the business premises of the taxpayer as decided by the jurisdictional Commissioner CGST, Audit. Desk-based audit is mandated for small category taxpayers as a trade facilitation measure.

### Q4. What are the timelines prescribed for Audit?

- A notice is sent to the auditee at least 15 days prior to Audit. (ADT-01)
- The entire audit process is to be completed within 3 months from the date of commencement of the audit.
- The jurisdictional Commissioner CGST, Audit can extend the audit period for a further 6 months with reasons recorded in writing.

### Q5. What documents are required to be furnished by the auditee for Audit?

The Auditee is required to submit the following documents for the Audit:

- Inward and outward supply of Goods & Services or both
- Goods Produced or Manufactured
- Input Tax Credit availed
- Output Tax Payable & Paid

