

GST AUDIT

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DEFINITIONS.

Sub - sec. (13) of sec. 2 of the CGST Act, 2017

*“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;*

▶ Examination of records prescribed under section 35 of the CGST Act, 2017 read with rule 56 of the CGST Rules, 2017, to verify the correctness of payout, ITC taken, refund claimed, etc...

▶ Objectives of audit:

- a. To measure the level of compliance.
 - b. To discover under-declared liabilities either by omission, error or deliberate deception.
 - c. To increase taxpayer’s voluntary compliance and facilitate the tax administration’s aim of getting “the right tax at the right time”.
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Sec. 35 (5) and GST Audit

Is the activity, undertaken by professionals as per sec. 35 (5), qualifies as an audit under GST Law ?

→ Sub - sec. (5) of sec 35 of the CGST Act, 2017

*Every registered person whose turnover during a financial year exceeds the prescribed limit **shall get his accounts audited by a chartered accountant or a cost accountant** and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.*

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→ Sub - sec. (2) of sec 44 of the CGST Act, 2017

*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.*

AUDIT BY TAX AUTHORITIES.

Sec. 65 of the CGST Act, 2017 read with rule 101 of the CGST Act, 2017

Sec
65

1

Undertake – The Commissioner or any officer authorized by him.

2

Where – At the place of business of the registered person / in their office.

3

How – Audit intimation (Form GST ADT – 01) within 15 days from the date of commencement of the audit

4

Time limit – completed with in 3 month from the commencement of audit. (extension – not exceeding 6 months)

5

After completion – Audit findings (Form GST ADT – 02) with in 30 days. In case of deviation issue notice under sec. 73 / sec. 74.

AUDIT BY TAX AUTHORITIES.

Sec. 65 of the CGST Act, 2017 read with rule 101 of the CGST Act, 2017

(4) The audit under sub-section (1) shall be completed within a period of three months from the date of commencement of the audit:

Provided that where the Commissioner is satisfied that audit in respect of such registered person cannot be completed within three months, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding six months.

Explanation.—For the purposes of this sub-section, the expression “**commencement of audit**” shall mean **the date on which the records and other documents, called for by the tax authorities, are made available by the registered person or the actual institution of audit at the place of business, whichever is later.**

(5) During the course of audit, the authorised officer may require the registered person,—

(i) to afford him the necessary facility to verify the books of account or other documents as he may require;

(ii) to furnish such information as he may require and render assistance for timely completion of the audit.

PERIOD OF AUDIT

The retrospective period upto the previous audit

Or

The limitation period specified in section 73 or 74 of the CGST Act, 2017.

Sec. 73 (10)

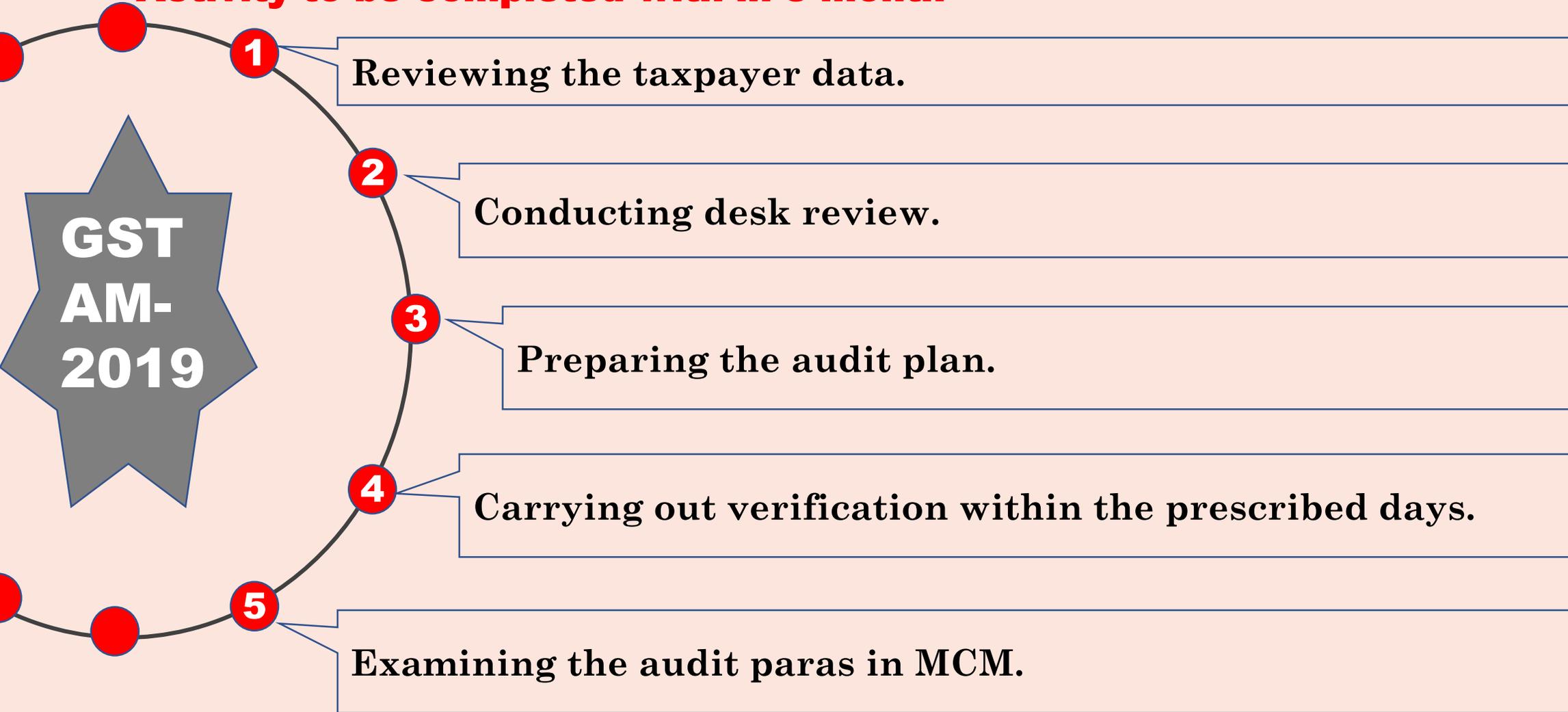
- Three years from the due date for furnishing of annual return

Sec. 74 (10)

- Five years from the due date for furnishing of annual return
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AUDIT BY TAX AUTHORITIES.

Activity to be completed with in 3 month



VERIFICATION OF MISCELLANEOUS DOCUMENTS

FORM 3CD

CARO
REPORT

AUDITORS
REPORT

DIRECTOR'S
REPORT

REVIEW OF INTERNAL
REPORTS OF THE
REGISTER PERSON BY
THE AUDITORS

IMPORTANT POINTS FOR REVIEW

- Ψ Details pertaining to introduction of new product/service line.
- Ψ Change in Marketing Pattern etc.
- Ψ Fire and loss of material in the company.
- Ψ Foreign Exchange earned during the year.
- Ψ Foreign Exchange paid during the year.
- Ψ Information on the operation carried out.

IMPORTANT POINTS FOR REVIEW

- Ψ Provision for obsolete items have not been made.
- Ψ Goods meant for outward supply available in stock were not reconciled
- Ψ Internal control mechanism is commensurate with the size and extent of business of the company.

FORM 3CD

CARO
REPORT

AUDITORS
REPORT

DIRECTOR'S
REPORT

101

IMPORTANT POINTS FOR REVIEW

- ψ Fixed Assets records have been maintained properly
- ψ Physical verification of inward supplies and goods meant for outward supply was undertaken
- ψ Disputed tax liabilities under customs, income tax, GST, etc.
- ψ Company has maintained proper records for unserviceable or damaged goods.

CARO
REPORT

AUDITORS
REPORT

DIRECTOR'S
REPORT

IMPORTANT POINTS FOR REVIEW

- ψ Clause 18 : Depreciation on Fixed Assets u/s. 32 - It availed by the registered person on capital goods.
- ψ Clause 27 (a) - ITC availed and C/f.
- ψ Clause 21 (b) : Prior Period Income & Expenditures.
- ψ Clause 39 ; Cost audit report
- ψ Clause 40 : Ratios



AUDIT BY TAX AUTHORITIES.

REVIEW OF PROFIT AND LOSS ACCOUNT

INCOME:

- Scrutiny of supplies
- Scrutiny of other income
- Scrutiny of reimbursement of income
- Scrutiny of written offs

EXPENSES:

- Reverse Charge Mechanism
 - Reversal of Ineligible ITC
 - Ratio and trend analysis:
 - inputs consumed to inputs purchased
 - ITC availed on inputs to outward supplies, raw material purchased and ITC taken on inputs etc.
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AUDIT BY TAX AUTHORITIES.

REVIEW OF BALANCE SHEET

- Study of share holding.
 - Study of fixed assets schedule.
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SPECIAL AUDIT.

Sec. 66 of the CGST Act, 2017

1

Who initiate - any officer not below the rank of Assistant Commissioner

The prior approval of the Commissioner

2

3

When - at any stage of scrutiny, investigation or any other proceedings, having regard to the nature and complexity of the case

Reason - the value has not been correctly declared or the credit availed is not within the normal limits

4

SPECIAL AUDIT.

Sec. 66 of the CGST Act, 2017

5

Direction - such registered person by a communication in writing to get his records including books of account examined and audited. (Form GST ADT – 03)

Report with 90 days to Commissioner

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7

Cost – Expenditure and Remuneration of the professionals are incurred by the Department.

Deviation - issue notice under sec. 73 / sec. 74. (Form GST ADT – 04)

8

**Thank
You**
