

3rd Edition

**Technical Guide
on
GST Audit**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

It has been more than three years since Goods and Services Tax (GST) has been introduced in our country. GST has been a tectonic shift in the indirect tax landscape of the country. Herculean efforts had been put in by the Government to ensure seamless transition to this new indirect tax regime. The Institute of Chartered Accountants of India (ICAI), being a partner in nation building, had worked closely with the Government in designing the GST framework and formulating the GST laws. Further, the ICAI has also been extending its unstinting support to the Government in ironing out the multifarious issues arising post implementation of GST.

Realising the need for having due diligence in GST ecosystem, the lawmakers have provided for GST audit by Chartered Accountants in GST law. 'GST Audit' is beneficial to the taxpayers as it helps them in saving cost in terms of penalty, interest etc. since such consequences can be averted on account of audit. From the Government's perspective, the system of GST audit plugs the revenue leakages and ensures that correct amount of taxes are paid/refunded and only legit input tax credits are claimed.

The members undertaking GST audit need to be conversant with the entire gamut of GST law so as to ensure correct reporting. I am happy to note that in order to facilitate members in effectively discharging their GST audit assignments; GST & Indirect Taxes Committee of the ICAI has revised its "**Technical Guide on GST Audit**". This Technical Guide gives an insight into the kind of details to be reported in the various tables of Form GSTR-9C and other related aspects.

I am confident that members will find this Technical Guide handy and useful in their day-to-day practice. I appreciate the efforts put in by CA. Rajendra Kumar P, Chairman and CA. Sushil Kumar Goyal, Vice-Chairman and other members of the GST & Indirect Taxes Committee of ICAI for revising this Technical Guide.

I wish the readers a fruitful and knowledge enriching experience.

Date: 29.01.2021

Place: New Delhi

CA. Atul Kumar Gupta

President, ICAI

Preface

Goods and Services Tax (GST) was introduced from July, 2017 with the objective to simplify taxation procedures and to make India a unified market with 'One Nation One Tax' approach. The Government has reposed its faith in the taxpayers by prescribing self-assessment provisions in the GST law. However, in order to protect the revenue and keep a check on evasion of taxes, the provision of audit by Chartered Accountants was introduced under section 35(5) of the CGST Act, 2017 for taxpayers whose turnover during the financial year exceeds the prescribed limit, i.e. Rs. 2 crore. The said limit though was increased to Rs. 5 crores for the financial years 2018-19 and 2019-20 to ease the compliance burden of small taxpayers.

Since its inception GST has been evolving every day. Hundreds of notifications issued every year bear testimony to this. One needs to appreciate that change of such a magnitude cannot be implemented without initial hiccups. By amending the law, the Government intends to simplify procedures and improve ease of doing business. The GST & Indirect Taxes Committee has been relentlessly working to keep members abreast with such changes through its publications, courses and workshop. Taking another step in this direction, the Committee has revised its exclusive "**Technical Guide on GST Audit**".

The Technical Guide contains analysis of the information to be reported against each and every item of the various tables contained in Form GSTR-9C to facilitate the members in carrying out GST Audit. This Technical Guide attempts to cover/ address all the issues that may arise while conducting the audit. However, the auditor would need to apply his mind judiciously, keeping in view the intent behind the law, principles and policies.

We sincerely thank CA. Atul Kumar Gupta, President and CA. Nihar N Jambusaria, Vice-President, ICAI for their continued support and encouragement towards the various initiatives of the GST & Indirect Taxes Committee. We express our gratitude for the untiring effort of CA. Shaikh Abdul Samad Ahmad in revising the Technical Guide and CA. Virender Chauhan for reviewing the same. We appreciate the services and unstinted support provided by the Secretariat of the Committee.

We trust this Technical Guide will be of practical use to all the members. We will be glad to receive feedback/suggestions on the Technical Guide at gst@icai.in.

Welcome to a professionalized learning experience in GST!

CA. Rajendra Kumar P
Chairman
GST & Indirect Taxes Committee

CA. Sushil Kumar Goyal
Vice-Chairman
GST & Indirect Taxes Committee

Date: 29.01.2021
Place: New Delhi

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Chapter 1

Introduction to GST Audit

Reference to the Central Goods and Services Act, 2017 (“the **CGST Act**”), wherever stated, must be understood to mean and include the respective State Goods and Services Tax Act, 2017/ Union Territory Goods and Services Tax Act, 2017 (SGST Act/ UTGST Act) and relevant provisions, where required, of Integrated Goods and Services Tax Act, 2017 (“the **IGST Act**”). While every care has been taken to include the relevant Rules, certain portions may have to be read and understood along with Rules framed with respect to the respective State/ UT/ IGST legislations.

Introduction

The introduction of the Goods and Services Tax regime is a revolutionary step in the domain of commodity and services tax, which has brought about a paradigm shift in the methodology of levy and collection of taxes. It is an internationally recognized multipoint tax system, providing for levy of tax on goods as well as services on the value addition occurring at every stage of business activity. Today, it can be said that the GST, being a self-assessment tax, requires the introduction of audit procedures for ensuring its proper compliance.

The audit of accounts in corporate sector has been made compulsory by legislation over decades. In addition to the above, the specific legislations governing different types of entities also mandates audit under the respective statutes. Realizing the importance of audit of businesses which are essentially not governed by the Companies Act or any other special statutes, the Income-tax Act introduced audit of businesses that have crossed the turnover limit provided in section 44AB of the Income-tax Act. This has always helped the Government to ensure its statutory compliance under the provisions of the Income-tax Act.

Under the Central Excise Act, 1944 and Service Tax law (*vide* Finance Act, 1994), special audit was prescribed under section 14A and 14AA of the Central Excise Act, 1944 and section 72A of the Finance Act, 1994. Special Audit was required to be conducted by a Chartered Accountant or a Cost Accountant in cases where the Commissioner of Central Excise had reasons to believe that the credit of duty availed of and utilized under the rules are not within normal limits or that there is a case of under valuation. However, there was no general provision for audit by Chartered Accountants based on the turnover limit.

Goods and Services Tax was introduced to consolidate most of the indirect taxes and also to increase the tax base with emphasis on compliance. At the same time, thrust was given to self-assessment processes whereby the taxpayers are required to assess their tax liability and pay taxes. While doing so and considering the challenges which the government may face in

handling the volume of taxpayers and transactions, technology support has been taken right from the time of its introduction.

In the self-assessment regime, it becomes essential to have checks and balances to protect the revenues' interests. Under the GST regime, Chartered Accountants and Cost Accountants have been roped in for the same.

Meaning of Audit in General

Audit is a subject with which members of the accountancy fraternity are familiar. Auditing is a systematic and independent examination of the books and records of an entity to ascertain and report on the facts regarding its financial operations and results thereof. The systematic and independent examination of the books and records may be limited to transactions and performances of an entity for a stated purpose, say audit under GST. Such an audit may be conducted to ascertain whether they present a true and fair view of the financial transaction's vis-a-vis returns filed with the authorities. This compulsory audit is intended to ensure proper maintenance of books of account and other records, in order to reflect the true turnover and purchase of a dealer and also to reflect the correctness of input tax claimed and output tax paid, to facilitate the administration of tax laws for his further assessment.

Objective of Audit under GST Law

The objective of the GST audit can be ascertained from the definition of Audit given in section 2(13) of the CGST Act. The said definition reads as follows:

“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.”

From the above, it can be deduced that:

- (a) Audit is examination of records, returns and other documents;
- (b) Those records, returns and documents might have been maintained or furnished under GST Law or any other law;
- (c) The examination is to verify the correctness of:
 - (i) Turnover declared,
 - (ii) Taxes paid,
 - (iii) Refund claimed and
 - (iv) Input tax credit availed;

- (d) The examination is also to assess auditee's compliance with the provisions of GST Acts and Rules.

All this makes it clear that the objective of GST Audit is to ensure the correctness of Turnover declared, Taxes paid, Refund claimed, and Input Tax Credit availed in addition to compliance of the GST Acts and Rules. The intent is that the compliance of the GST law has to be confirmed by the GST audit.

The objective of Audit under GST as per the definition under section 2(13) can be explained as follows:

Legal provisions of GST Audit

In order to understand the gamut of the GST Audit and its requirement, it is relevant for us to understand the legal provisions related to the GST Audit. Two important provisions which are relevant and important in this context are section 35(5) and section 44(2) of the CGST Act.

In terms of section 35(5) "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.

Provided that nothing contained in this sub-section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force."

In terms of section 44(2) "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".

In terms of Rule 80(3) of the Central Goods and Services Rules, 2017 ("the CGST Rules") "Every registered person other than those referred to in the proviso to sub-section (5) of section 35, whose aggregate turnover during a financial year exceeds Rs. 2 Crore shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Provided that for the financial year 2018-2019 and 2019-2020, every registered person whose aggregate turnover exceeds Rs. 5 Crore shall get his accounts audited as specified under sub-

section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C for the said financial year, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.”

Comment: Section 35(5) begins with the expression “every registered person whose turnover during a financial year exceeds the prescribed limit” whereas the relevant Rule 80(3) uses the expression “*Every registered person other than those referred to in the proviso to sub-section (5) of section 35, whose aggregate turnover during a financial year exceeds Rs. 2 Crore*”. It must be noted that the word turnover has not been defined whereas the expression aggregate turnover has been defined. One may note that the expression turnover in State or turnover in the Union territory is defined. In this backdrop the following understanding is relevant:

- (a) Aggregate turnover is PAN based whereas turnover in a State/ UT, though similarly worded, is limited to turnover in a State/ UT. In other words, Aggregate turnover is the sum-total of turnover in a State/ UT of All GSTIN obtain under the PAN.
- (b) It is, therefore, reasonable to interpret that the word turnover used in section 35(5) ought to be understood as aggregate turnover;
- (c) For the financial year 2017-18, the GST period consists of 9 months whereas the relevant section 35(5) uses the expression financial year. However, in the Press Release dated 03.07.2019 it was clarified that the aggregate turnover for this purpose shall be reckoned for the period July, 2017 to March, 2018.

However, if taxpayer were to take a divergent view with respect to the threshold of Rs. 2 Crore, suitable observation by CA in FORM GSTR-9C, would be merited.

- (d) For the financial year 2018-19 as well as 2019-20, the turnover limit for the compliance of section 35(5) has been enhanced from Rs. 2 Crore to Rs. 5 Crore.

It can be seen that section 35(5) read with section 44(2) of the CGST Act provides that the following documents shall be furnished electronically by the taxpayer upon conclusion of the audit:

- (a) Annual Return;
- (b) Copy of the audited annual accounts;
- (c) Reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement in FORM GSTR-9C, duly certified;
- (d) Such other particulars, as may be prescribed.

Vide Rule 80(3) the reconciliation statement shall be furnished in the FORM GSTR-9C. The provisions of section 44(2) require reconciliation of the figures declared in ‘*return furnished for*

the financial year with the *'audited financial statement'*. It appears that the return furnished for the financial year refers to the annual return furnished in FORM GSTR-9.

In addition to the three provisions mentioned above, there are number of provisions that are relevant for carrying out audit or reconciliation.

Applicability of GST Audit

Section 35 of the CGST Act, deals with the maintenance of books of accounts, documents, and records. Section 35(5) read with section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules relates to audit. In terms of the said section / rule, every registered person whose turnover in a financial year exceeds Rs. 2 Crore has to get his accounts audited by either a **Chartered Accountant** or a Cost Accountant.

Though the definition of Audit under section 2(13) mandates certain aspects, there is no specific mention of the methodology of an audit or the manner of reporting either in the Act or the Rules, except for a certificate format which is notified as part of reconciliation statement in FORM GSTR-9C.

A combined reading of section 35(5) and section 44(2) along with the notified FORMS, give rise to two situations, namely-

- (a) entities not required to be audited under any other statute in which case audit has to be carried out in terms of section 35(5).
- (b) entities that are required to be audited under any other statutes like the Companies Act, Income-tax Act, Co-operative Societies Act, etc.,

In either case, the reconciliation statement can be drawn up by the same auditor, who did the audit of books, or by some other auditor. Hence, two type of certificates have been prescribed in Part-B of FORM GSTR-9C.

Where the financials are audited (under any other law), then there is no requirement to conduct yet another in depth audit of the same financials for GST purposes. GST audit exercise can proceed with the remainder of the exercise to prepare the reconciliation statement as required in Part-A and certify as required in Part-B.

Where the financials are (somehow) not audited under any law, then these financials need to be audited for GST purposes apart from the exercise in Part-A and Part-B of FORM GSTR-9C. Please note that there is no guidance as to the 'terms of reference' for such a case. Given that this is a case that has come before a Chartered Accountant, his expertise will come to bear in providing a suitably audited financial statement to proceed with the Part-A and Part-B exercise in FORM GSTR-9C.

The word "certify" indicates an absolute level of assurance but FORM GSTR-9C appears to be an amalgam of audit and certificate. As such, it appears to be a certificate of information in Part-A that is validated based on applying methods of an audit performed by the hands of an expert

auditor. In other words, FORM GSTR-9C could be referred to be a certification by way of an audit or 'audit certificate'. Given the approach to audit mandated as per ICAI guidelines, the assurances will be subject to the limitations inherent in such an exercise and disclosure is key so that revenue authorities will be able to appreciate and understand the dissimilarities in the accounting of transactions due to accounting rules like accrual compared to peculiarities in GST such as time of supply, which may not always coincide but present some variations in the turnover in FORM GSTR-9 as compared to income reported in financial statements.

Implications of GST Audit

- Where a review is undertaken periodically, the discrepancies would be noticed and corrective measures would be taken promptly. Thus, it would lead to optimising credit availability as well as payment of tax/ refunds etc.
- A periodic review of information such as computation of total and taxable turnovers, review of rates of taxes, proper application of relevant notifications, circulars, orders etc., Government orders and adherence to the tax compliances.
- Incorrect claims for tax benefits/ exemptions would be filtered out, as tax professionals would be in a position to intimate the consequences of such practices and also bring out the systemic failures in their reports.
- It is customary to expect that the departmental audit is conducted long after the end of the financial year except in cases where investigations, inspections or special audits are taken up. Naturally, any levy of additional taxes either due to non-compliance or incorrect comprehension of the complex tax laws would result in taxes plus consequential interest and penalties.

Preparation for the GST Audit

Since the law relating to GST audit is in emerging stage, it demands significant preparation from the auditor as well as the auditee. While the statutory audit (under the Companies Act) and tax audit (under the Income-tax Act) primarily rely on the financial records, GST audit would require coverage of a larger cluster of records. The GST audit requires deep understanding of the GST laws, IT infrastructure of the auditee, the method in which the GST portal operates, the applicability of the various notifications, circulars, orders etc., classification of goods and/ or services, the nature of supplies, the manner of availing credits together with its allowability or otherwise, maintenance of various records and documents specified therein, requirements of reporting and source of information, understanding of the business of the auditee, etc. Apart from these issues, it is imperative that an auditor understands the basic functioning of the e-governance model. The audit coverage of all these records and documents would need substantial amount of preparation and time.

To start with, the following (among others) are the various steps an auditor can take in connection with the forthcoming GST audit:

- (a) Inform the concerned auditee about the applicability of the GST audit;
- (b) Confirm eligibility to be GST auditor under guidelines issued by the ICAI;
- (c) Understand the nature of business, the products or services, requirements of records to be maintained, and advise the auditee to maintain accounts and records so required, beforehand;
- (d) Prepare a questionnaire to focus on key areas of operations/ activities of the auditee, and specifically develop questions on those issues on which the GST law would have a bearing;
- (e) Preparation of the detailed audit program and list of records to be verified;
- (f) Obtain the relevant reconciliations.

Consequences of failure to submit the annual return and not getting the accounts audited

Sub-section (2) of section 47 of the Act provides for levying late fees to those registered persons who failed to furnish the Annual Return in FORM GSTR-9 by the due date. The late fees prescribed is as follows:

QUANTUM	CGST	SGST
Minimum	Rs. 100.00 for every day during which the failure continues.	Rs. 100.00 for every day during which the failure continues.
Maximum	A quarter percent of his turnover in the State or Union territory.	A quarter percent of his turnover in the State or Union territory.

The registered person, who is required to get his accounts audited in the terms of the provisions of section 35(5) read with section 44(2) and Rule 80(3), has to furnish the annual return in FORM GSTR-9 along with a copy of the audited annual accounts and a reconciliation statement in FORM GSTR-9C. The late fee is levied for furnishing the annual return beyond the prescribed time.

However, there is no specific penalty prescribed in the GST Law for not getting the accounts audited by a Chartered Accountant or a Cost Accountant. Therefore, in terms of section 125 of the CGST Act he shall be subjected to a penalty of up to Rs. 25,000/-. This section deals with the general penalty that gets attracted where any person, who contravenes any of the provisions this Act, or any rules made thereunder for which no penalty is separately provided. Similar provision also exists under the State/ UT GST laws as well. There may be another view that since the return is to be accompanied with the report, if not done it may amount to non-filing of return and late fee may be levied and, in that case, the general penalty in terms of section 25 shall not be levied.

Difference between a Certificate and a Report

Para 2.2 of the 'Guidance Note on Audit Report and Certificates for Special Purpose' issued by the ICAI notes the difference between the term 'certificate' and 'report' as under:

- “A **Certificate** is a written confirmation of the accuracy of facts stated therein and does not involve any estimate or the opinion.”
- “A **Report**, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditor's opinion thereon”.

Thus, where a certificate is issued, the Chartered Accountant shall be responsible for the factual accuracy of what is stated therein. In the case of a report, he is responsible for ensuring that the report is based on the factual data, true and fair (or in some cases true and correct) to the best of his belief, knowledge and information furnished to him.

The word 'certificate' as described in the laws and regulations or even in the contracts that an entity might have entered into can normally be associated with reasonable assurance. However, depending upon the circumstances and based upon the nature, timing and extent of the procedures which a practitioner can perform, the practitioner can conclude that a reasonable assurance cannot be expressed on the subject matter of the “certificate” and only limited assurance/ conclusion can be given. The practitioner's procedures in case where reasonable assurance is to be expressed would be substantially different (and more extensive) from circumstances where limited assurance is to be expressed.

Audit of non-filers and un-registered persons

1. The word or expression non-filer has not been defined in the GST laws. A non-filer is a registered person who is liable to file the return or statement periodically but has failed to do so. The heading in section 62 of the CGST Act reads Assessment of non-filers of returns. It must be understood that headings are words placed at the head of a Chapter, Paragraph etc., or at the front or top of anything. They do not have any legal significance.
2. A non-filer is a taxpayer who has not met his tax filing obligation by the due date of the return/ statement or the approved extended due date. Non-filers and un-registered non-compliant persons are normally misunderstood to be of the same class, but they are different. The differences are given below:
 - An un-registered non-compliant person under GST is the person liable to apply and obtain registration but has failed to do so.
 - Non-filer is a person who is already registered and is therefore liable to file the return/ statement but has failed to do so.
3. Under section 62 of the CGST Act, where a registered taxable person fails to furnish the return (non-filer), the proper officer may, after allowing a period of 15 days from the date

of service of the notice under section 46 of the CGST Act, proceed to assess the tax liability of the person to his best judgment, taking into account all the relevant material which is either available on records or which he has gathered.¹

4. Under section 63 of the CGST Act, where a taxable person (i.e., a person liable to take registration) fails to obtain registration, the proper officer may decide to assess the tax liability of the said taxable person to his best judgement for the relevant tax periods and issue an assessment order within a period of five years from the due date for filing of the annual return for the year to which the tax not paid relates to.
5. **Whether audit under section 35(5) is applicable to non-filers or un-registered persons liable to take registration?**

The audit under section 35(5) of the CGST Act to be conducted by CA or CWA is applicable only to a registered person. A non-filer is a registered person under section 25 of the CGST Act; the audit is required to be conducted under section 35(5) of the said Act, if it satisfies the condition stated in the section.

However, an un-registered person who is liable to take registration under section 25 of the CGST Act is a person who has to pay tax. But the said un-registered person is not a registered person defined under section 2(94) of the CGST Act. Hence, in terms of section 35(5) of the Act, an audit is not required.

6. **Whether a non-filer or an un-registered person can be subjected to any other audit under GST?**

Under section 66 of the CGST Act, a registered person can be ordered to go for an audit by the department by nominating a CA or CWA in accordance with the conditions laid down in the said Act. Thus, a special audit cannot be conducted against an un-registered taxable person but can be ordered in respect of the non-filer.

Illustrations

- (a) M/s. ABC has been holding the GST registration but has not filed the statement of returns in FORM GSTR-3B. Notice is issued under section 46 for failure to file returns. Even then, no returns are filed. In such a case, M/s. ABC becomes 'non-filer'.
- (b) M/s. XYZ, on registration has been filing statements/ returns in FORM GSTR-1/ FORM GSTR-3B. However, annual return in FORM GSTR-9 has not been filed. Proper Officer issues a notice for failure to file annual return within 15 days. Even then, no annual return is filed within the time permitted. In such a case, M/s. XYZ becomes 'non-filer'.

¹ Such persons would pay the tax liable with interest & penalties. However, he may not file the return, therefore, GSTN needs to permit the future return filing process without filing the earlier return.

- (c) M/s. PQR's turnover during the financial year exceeds Rs. 20 lacs and is liable to be registered under section 22. It failed to obtain registration. In such a case, M/s. PQR is not a 'non-filer' but one 'liable to get registered'.

A non-filer is a person who does not file returns or statements within due dates. But it is possible that his books and records reflect aggregate turnover beyond the threshold prescribed for audit under the GST laws. In such situations, the non-filer is required to get his books and records audited and mandated to file his annual return in FORM GSTR-9 and the reconciliation statement in FORM GSTR-9C. A non-filer may also be subject to special audit under the provisions of section 66 of the CGST Act.

On the other hand, an un-registered person, even if his aggregate turnover exceeds the prescribed limit, is not required to get his accounts audited under section 35(5) of the CGST Act.

Conclusion

The GST audit places a huge responsibility on the auditor, and they must be aware of the nature and complexity of the business/ operations of the auditee. However, it is not one that the chartered accountant is not equipped to handle. Applying his expertise, knowledge of the law and insights into the business of the auditee will meet the expectations of the law. When an auditee approaches a chartered accountant for the first time, he must exercise due caution in assessing how compliant the auditee is, from a GST standpoint. It may be advisable that he prepares a suitable standard questionnaire (depending on the nature of business and facts and circumstances of each case) to become familiar with the business, modus of operation etc. It is important to bear in mind that/ complicated questionnaire may not be effective, even if prepared for obtaining a comprehensive understanding of the business in question.

Chapter 2

Auditor and their Appointment*

Important points relating to the auditor

1. An understanding and analysis of the provisions of section 35(5) read with section 44(2) and other related provisions emerge the following facts:
 - (a) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited:
 - (i) by a Chartered Accountant; or
 - (ii) by a Cost Accountant.
 - (b) The registered person is required to submit electronically a copy of the:
 - ✓ audited annual accounts (of the legal entity);
 - ✓ annual return in the prescribed FORM GSTR-9 (of the registered person);
 - ✓ reconciliation statement, duly certified, reconciling the value of supplies declared in the return furnished for the financial year along with the audited financial statement in FORM GSTR-9C (Refer Appendix-1 for FORM GSTR-9C); and
 - ✓ such other particulars as prescribed;

On or before the 31st day of December following the end of the financial year. However, the said dates were extended by the following notifications.

Financial year	States	Due date
2017-18	Chandigarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Ladakh, Punjab, Rajasthan, Tamil Nadu, Uttarakhand.	05.02.2020
Notification No. 6/2020-C.T., dated 3-2-2020	Andaman and Nicobar Islands, Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Dadra and Nagar Haveli and Daman and Diu, Goa, Himachal Pradesh, Jharkhand, Karnataka, Kerala,	07.02.2020

* **Note 1:** Reference may be made to the Compilation of Ethical Standard Board of the ICAI relating to GST Audit for understanding the guidelines related to the ethical and professional conduct of the members.

	Lakshadweep, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Puducherry, Sikkim, Telangana, Tripura, Uttar Pradesh, West Bengal, Other Territory.	
2018-19 Notification No. 41/2020-C.T., dated 5-5-2020 (As amended)	All States	31.12.2020
2019-20 Notification No. 95/2020-C.T., dated 30-12-2020	All States	28.02.2020

- ✓ Such documents are to be submitted electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
2. In terms of section 2(1)(b) of The Chartered Accountants Act (No. 38 of 1949) [as amended by The Chartered Accountants (Amendment) Act, 2006 (No. 9 of 2006) "Chartered Accountant" means a person who is a member of the Institute;
 3. In terms of section 2(2) of The Chartered Accountants Act [as amended by The Chartered Accountants (Amendment) Act, 2006] a Chartered Accountant in practice is defined as "A member of the Institute who shall be deemed "to be in practice", when individually or in partnership with chartered accountants in practice, he, in consideration of remuneration received or to be received, —
 - (i) engages himself in the practice of accountancy; or
 - (ii) offers to perform or performs services involving the auditing or verification of financial transactions, books, accounts or records, or the preparation, verification or certification of financial accounting and related statements or holds himself out to the public as an accountant; or
 - (iii) renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data; or

(iv) renders such other services as, in the opinion of the Council, are or may be rendered by a chartered accountant in practice;

and the words "to be in practice" with their grammatical variations and cognate expressions shall be construed accordingly".

Explanation: - An associate or a fellow of the Institute who is a salaried employee of a chartered accountant in practice or a firm of such chartered accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of articled assistants.

Chapter 3

Important Aspects for GST Audit of Multi-Locational Entities

I. Introduction

1. Registration, under the GST laws, is for an 'Entity' in respect of its supplies affected 'in' the State/ UT. An 'Entity' may have as many registrations as the States that it operates 'in'. Section 25(4) and section 25(5) of CGST Act make it clear that each registrant is a 'distinct person' under the GST laws. Section 22 of the CGST Act also permits more than 'one registration' even within the same State/ UT.
2. It is possible that a transaction that takes place between two branches of the same 'Entity' becomes liable to tax incidence due to the operation of the Schedule-I of the CGST Act. That is, transactions between two distinct persons (both belonging to the same Entity) would be a 'supply' transaction when those transactions fall within the purview of Schedule-I,

“2. supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business and

...

4. Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business;”

3. It is interesting to note that there are more than one kind of multi-location units to be considered, namely (among others):
 - (a) Registered branches in two different States/ UTs;
 - (b) Registered branches within the same State/ UTs;
 - (c) Business locations outside India;
 - (d) Branches in a State that are found liable to register but are not registered.

II. Analysis

- (a) When an 'Entity' has more than one, registration in one or more than one State/ UT, each registrant is treated as distinct person in terms of section 25 of the CGST Act. Accordingly, each of these distinct persons are required to get its records audited under the GST Laws. However, it is important to note that following "Registrations" of the taxable person are not required to be audited:

- Input Service Distributor;
 - A person paying tax under section 51 or section 52;
 - A casual taxable person; and
 - A non-resident taxable person.
- (b) In respect of persons in sub-clauses (a) to (d) cited in clause 3 of Para I (*supra*), the following key issues are to be borne in mind during the conduct of the GST audit:
- (i) Each registered person (GSTIN-wise) is required to maintain books, records and other documents in accordance with section 35 of the CGST Act. Difficulty arises when the principal place of business holds or maintains all the books and records. In this situation, it would be extremely difficult to “derive” specific transactions and reflect such transactions in the returns/ statements to be filed. For instance, the books and records may not reflect stock transfer of goods between branches, whereas such data may be derived on the basis of delivery challans, e-way bills or such other documents maintained;
 - (ii) Another situation could be where common costs are required to be allocated. This could be done based on the turnover of each distinct person, or based on manpower deployed, or any other suitable cost-driver relevant to each such cost to be allocated. Manpower employed by the legal entity must also be allocated to specific branch (GSTIN-wise allocation of staff cost) to which it belongs;
 - (iii) It is common knowledge that several enterprises use infrastructure available in a centralized location or back-office support whether in respect of Information Technology, Finance, Accounting, Human Resource or Personnel, Corporate Management, etc. These costs are required to be allocated based on ‘end use’ than on turnover. However, an auditor must bear in mind that such allocation could also be a subject matter of valuation under the GST law and also have a bearing on transfer pricing regulations in Income-tax and Special Valuation Branch (SVB) orders in Customs;
 - (iv) In respect of transactions with a branch, while the head office is registered, and the branch had failed to obtain registration. The auditor while conducting audit has to ensure this in his report to ensure completeness of the reporting by the registered head office without leaving any loose ends becomes onerous .

- (c) Key checks and balances:
- (i) Extracting GSTIN-wise trial balance (duly validated that all such GSTIN-level trial balance add-up to the entity-level trial balance);
 - (ii) Ensuring relevant FORM GSTR-1 and FORM GSTR-2A are matched, where applicable;
 - (iii) Securing confirmation letters where FORM GSTR-1 and FORM GSTR-2A remain un-matched;
 - (iv) Valuation of inter-locational transactions where there can be an input tax restriction in the hands of the recipient;
 - (v) Importantly, in respect of transactions relating to the import of services (where IGST becomes payable by the importer) and such transactions are subject to valuation by the GST authorities at a later date which has already been included in the cost of services provided to a customer. Change in the cost component due to valuation review can adversely impact the reporting results of the registered person. For example, HR services are utilized by an Indian entity from an overseas provider.

III. Accounts of Locations

- (i) At the outset, the audit should be initiated by seeking a separate Trial Balance for the GSTIN under audit. A separate Trial Balance ensures the identification of all transactions related to a particular GSTIN, of course, to the extent recorded in the books of accounts under GAAP. The Trial Balance can be generated by maintaining separate books of accounts for all locations, or it can also be generated from the specific marking for a Branch against every transaction. In the case of separate Trial Balance for branches under a single GSTIN, the same may be consolidated to eliminate inter-branch transactions within the same GSTIN. The relevant ledger accounts as per the Trial Balance should be reviewed with the records and documents maintained at the respective locations. The balances should be 'verified figures' declared in FORM GSTR-1 and FORM GSTR-3B of each GSTIN.
- (ii) The best option would be if the auditor receives audited Trial Balance of each registered location. However, in case GSTIN wise audited Trial Balance is not available then a management-certified 'trial balance' of each registered location mapped with audited financials should be the base that ought to be considered for performing the GST Audit. It may even be advantageous to append this trial balance along with the entity level financials in Part B of FORM GSTR-9C.

IV. Importance of registration wise transactions

There are many contracts which may be undertaken by a Legal Entity with a third party, whereas, its execution may require 'supply' from different locations. The inter play of supplies between branches is required to answer the correct tax payable or input tax credit availment/ available for a taxable person. Transactions between different GSTIN of the same Legal Entity should be analyzed very carefully. They may consist of-

- Stock transfer of goods; and/ or
- Cross utilization of services.

Stock transfer of goods may be easy to identify and can be cross verified through stock records, records for movement of goods etc., whereas, cross utilization of services may not be clear from financial records. This needs analysis of each Trial Balance. Analysis of the purpose of expenditure incurred for each Trial Balance may provide an indicative evidence for cross utilization of services. Also, segmental reporting as per Accounting Standard(AS) 17/ Indian Accounting Standard (Ind AS) 108 Operating Segments may be a useful guide to identify such transactions. In case of inter-unit transfer of goods/ services an auditor needs to see that valuation has been carried out as per Rule 28 of the CGST Rules.

V. Cost sharing/ cross charge between branches

- (a) Section 7(1)(c) read with Schedule-I of the CGST Act considers transactions between distinct persons as supplies even when such transactions remain to self and may be without consideration. Accordingly, stock transfer of goods between branches being a transaction between distinct persons comes within the ambit of the GST laws. Similarly, services between branches would also attract GST liability.
- (b) Audit of multi-location entities would require examination (among others) of the following:
1. Cost incurred commonly at or by the Head Office, such as Marketing and Brand Building Costs;
 2. Head Office could be providing support to branches, such as Centralized Accounting Services; HR Services etc.,
 3. Branches without billings to third parties;
 4. Branches with billings to third parties but all costs not met by branch;
 5. Credit flowing to branches that do not carry corresponding invoices. Please note that there is an apparent incentive to claim CGST-SGST credit at branches in a given State even though the invoice for the supply (to which this credit relates) may belong to another State;

6. Identification of branches which have not been registered;
7. Identify 'location of employment' of all employees and then map their costs and invoices in each branch;
8. E-Way bill to track supplies which have been marked as stock transfers;
9. Credit of 'State A' availed in 'State B' especially in cases where the place of supply is State B (E.g., Accommodation Services of the employee of 'State A' availed as credit in 'State B');
10. Basis of bifurcation of credits by ISD;
11. Valuation of Supply especially when credits are not available in the hands of the receiving Branches.

VI. Cross Charge versus Input Service Distributor

- (i) Cross charge is for supply of services from one unit to another in terms of common functions undertaken by such Branch/es. Thus, it is an allocation of common functions to different branches. However, Input Service Distributor is defined in section 2(61) of the CGST Act to mean an office of the supplier of goods or services or both which receives tax invoices issued under section 31 of the said Act towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of GST on the said services to another branch of the same legal person.
- (ii) Thus, while ISD is merely distributing the credit of invoice of input services relating to services received by another branch but invoice of which is received by the ISD, cross charge is a broader concept, where the location that received goods and services in its own capacity uses such resources for provision of common support functions of the entity and thus, supply such support functions to other units. A choice of ISD or cross charge is material from the perspective of maintenance of books of accounts as well as reconciliation thereof.

VII. Conclusion

On the basis of the concepts stated above an auditor must bear in mind that a lot many issues that may arise in a real time business environment. Adequate checks and balances must be employed to exercise caution and care while reporting such transactions. Attention of the reader is also invited to the Advance Ruling in the case of Columbia Asia Hospitals Private Limited *vide* KAR ADRG 15/2018 dated 27th July, 2018 which would be useful in taking decisions while keeping in mind that Advance Authority Rulings are not binding on the registered taxpayer other than the party in respect of which the Advance Ruling is given.

Chapter 4

Analysis of FORM GSTR-9C

Introduction

FORM GSTR-9C is the relevant form prescribed in terms of Rule 80(3) of the “CGST Rules. It has two parts: Part-A is the “Reconciliation Statement” and Part-B is the ‘Certificate’. Part-A which comprises the form of reconciliation statement contains 5 Parts containing various Tables serially numbered. Part I captures the basic details of the registered person under Part-A (Reconciliation Statement) which has 4 Tables, each of the Table is significant in terms of the disclosure requirement.

A comparative view of FORM GSTR-9 and FORM GSTR-9C

Sl. No.	Return in FORM GSTR-9	Statement in FORM GSTR-9C
1	It is the report of a formal or official character giving information.	Means the formal statement to be made under the provisions of the Act, the veracity of which needs an enquiry as to its correctness.
2	Prescribed under a Statute.	Prescribed under a Statute.
3	To be filed by all registered persons. (optional upto Rs. 2 Crore)	To be filed only if the aggregate turnover in a financial year exceeds - <ul style="list-style-type: none"> • Rs. 2 Crore for the FY 2017-18 • Rs. 5 Crore for the FY 2018-19 and 2019-20.
4	No threshold limit.	Subject to threshold limit.
5	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct taxes under section 51 and persons required to collect taxes under section 52.	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct tax under section 51 and persons required to collect tax under section 52.
6	No need to annex financials.	Financials are to be annexed.

7	a. A plain reading of the relevant provisions indicates that the said Annual Return in FORM GSTR-9 and the Reconciliation Statement in FORM GSTR-9C must be filed together. However, if one has to peruse FORM GSTR-9C there are certain tables which state that “turnover as declared in annual return” indicating thereby that FORM GSTR-9C is dependent on FORM GSTR-9. This anomaly can be addressed only on the basis of the finalized annual return initialled and presented to the GST auditor by the registered person.
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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>>

Instructions (given along with the form in the relevant notification)	
1.	<i>Terms used:</i> <i>GSTIN: Goods and Services Tax Identification Number</i>
2.	<i>It is mandatory to file all your FORM GSTR-1, FORM GSTR-3B and FORM GSTR-9 for the current financial year before filing this return. For FY 2017-18, the details for the period between July, 2017 to March, 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately.</i>
3.	<i>The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.</i>

Analysis

PART-I - Sl. No. 1: Financial Year

This Sl.No. requires disclosure of the “financial year” to which the Reconciliation Statement in Part-A relates to. The expression financial year has not been defined under the GST laws. However, in terms of the General Clauses Act “financial year” shall mean the year commencing on the 1st day of April and closing on the 31st day of March.

It is important to understand the meaning of the expression “financial year” in the first year of the GST regime because the GST laws came into operation on the 1st day of July, 2017. For all intents and purposes, for the financial year 2017-18, the GST Laws was applicable only for nine months commencing from July, 2017 to March, 2018. So, in this Sl. No. one had mentioned “2017-18” (9 month commencing 1st July, 2017 and ending on 31st March, 2018).

Part I - Sl. No. 2: GSTIN

GSTIN means the “Goods and Services Tax Identification Number” of the taxpayer or the registered person. Each taxpayer, on his successful registration, would be assigned a State-wise PAN based 15-digit GSTIN.

The importance of verification of the GSTIN is paramount.

Part I - Sl. No. 3A and 3B: Legal Name and Trade Name

1. The word “trade” is used in Sl. No. 3B of Part-A may not be limited to occupation or business. It could be a connotation. The word “trade” ought to be understood in its ordinary sense, without any reference to “business”. For instance, “Indigo” could be a trade name while the legal name is “Inter Globe Aviation Limited”. Likewise, “Chancery Pavilion” is a trade name and “Elixir Enterprises and Hotels (P) Ltd.” is a legal name.
2. Therefore, as understood, trade name is used by trade and industry to identify their businesses symbolizing their reputation. Caution must be exercised in listing the trade name and legal name in Sl. Nos. 3A and 3B.
3. It is possible that some registered persons may not have a trade name. In such situations, Sl. No. 3B of Part-A would not be applicable. Therefore, NOT APPLICABLE may be stated in Part-A which could be verified from the <<auto populated>> data.
4. The legal name and trade name ought to be verified with the certificate of registration issued by the tax department in FORM GST REG-06. Similarly, if the registered person is a company registered under the Companies Act, 2013, the legal name can be verified with the certificate of incorporation and in case of partnership firm by the certificate issued by the registrar of firms.

Notes to consider

- (i) Legal name in the documents under other statute does not match the legal name on the registration certificate.
 - (ii) Trade name is not disclosed on the registration certificate.
5. Any discrepancy in the “Trade Name” and “Legal Name” may necessitate an amendment under the appropriate law. E.g., the name of the company in the certificate of incorporation is “XYZ Advertising Private Limited” whereas in the certificate of registration under GST it could be “XYZ Advertising Limited” which would require an

amendment bearing in mind the correct name, which is the certificate of incorporation in this case.

Conclusion

Therefore, the distinction between a trade name and a legal name must be clearly understood and borne out in Sl. No. 3A and 3B of Part-A and should not be used inter-changeably. The details sought at Sl. No. 1, 2, 3A and 3B are common for FORM GSTR-9, FORM GSTR-9A and FORM GSTR-9C and hence, the write up would equally apply to these S. No's. trade name and legal name.

Part I - Sl. No. 4: Are you liable to audit under any Act?

It is possible that an entity could be subjected to audit under several statutes. For instance, a proprietary concern could be subject to audit under the Income-tax Act, 1961 and a private limited company could be subject to the statutory audit under the Companies Act, 2013 as well as under the Income-tax Act. Similarly, a society registered under the Societies Registration Act may be subject to audit under that Act as well as under the Income-tax Act. This fact must be specified in Sl. No. 4.

Part II: Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (FORM GSTR-9)

This part seeks to reconcile the gross turnover in terms of audited financial statements with the turnover declared in the annual return. Importantly, in this table in Part II, all the streams of the income need to be duly reconciled (reflected appropriately) in each of the Sl. Nos. auditor is required to exercise due care while carrying out this reconciliation exercise. This is because he may have to consider the schedules, groupings, notes, disclosures, qualifications etc., of the auditor who certifies/ attests the audited financial statements. In cases where the financial statements are audited by another person, the GST auditor may have to fall back upon the working notes made available to him.

Part II - Table No. 5A: 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)

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (FORM GSTR-9)	
5	Reconciliation of Gross Turnover	
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).	

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons/ entities with presence over multiple States. Such persons/ entities will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/ entities having presence over multiple States.

Introduction

Table No. 5A is intended to report the turnover as per the audited Annual Financial Statement for a GSTIN. There may be cases where multiple GSTINs (State-wise) registrations exist for the same PAN. This is common for persons/ entities with presence over multiple States or in respect of multiple registration in a single State/ UT. The Government vide instructions has indicated that such persons/ entities would have to internally derive their GSTIN wise turnover and provide to the auditor to verify and declare in this Table.

The auditor must bear in mind that in a real business environment several entities may not be in a position to provide such derived turnovers. In such a situation, the auditor has to be involved in carrying out or supervising this exercise directly.

Analysis

In case of a registered taxpayer having single GSTIN, statement of profit and loss account (or income and expenditure account) read together with the corresponding notes and the Balance Sheet would form the primary basis for this Table. In cases where a registered taxpayer has multiple registrations, information must flow from trial balance of the respective GSTIN.

Turnover to be declared under this Table must flow from the 'audited financial statements' even if such turnover consists of adjustments/ revenue recognition on account of a requirement of an Accounting Standard (E.g.: AS-7 in case of 'Construction Contracts'/ Ind AS 115 - Revenue from contracts with customers). It **cannot and must not** include "Deemed supplies under Schedule I" as Table No. 5D separately covers such adjustments.

While considering the turnover from the audited financial statements, the auditor is also required to include indirect income in the form of dividend, interest, forex fluctuation, profit on sale of assets, etc. if such income is attributable (based on underlying documents and contracts to relate to the said registered person).

Note- Any amount of purchase return should not be considered for the purpose of arriving at the turnover under Table No. 5A. Such adjustment has been dealt with under appropriate Table No.12 of Form GSTR-9C.

This Table requires the registered person to declare '*turnover for the State/ UT*' (to be understood as 'turnover in State/ UT' as defined under section 2(112) of the Act) as per audited financial statements. Further, term '*audited financial statements*' has not been defined in the Act.

The turnover in State/ UT to be disclosed includes all (whether taxable, zero rated or not) supplies effected by the registered person from the State/ UT (GSTIN wise). Some experts are of the view that the turnover of the foreign branch/ office of the registered person, which controls those operations and maintains oversight, must be declared under this Table although the same will be excluded while computing taxable turnover of the registered person. In cases of multiple GSTINs, such turnover (of overseas branch/ office) may need to be reported in the GSTIN which controls the foreign office. This would suitably be reflected and reconciled with the gross turnover of the entity.

Since the information has to be in the context of each registrant, the registered person and the auditor must be equipped to file the said form separately for every registration. The registered person must be able to carve out a trial balance for every State/ UT (viz. every registration) from the consolidated trial balance of the entity for which the financial statements are prepared and audited. If this is not possible, then the registered person must derive the transactions of every registration from the single trial balance for the entity which was the subject matter of audit.

It is possible that different auditors are appointed for certifying FORM GSTR-9C for different registrations of the entity. As multiple auditors are involved in certifying the FORM GSTR-9C, the registered person and every auditor must ensure that the turnovers declared by different auditors must reconcile and add up to the total turnover of the entity as per the audited financial statements. Drawing analogy from SA-299 (Revised) on "*Joint Audit of Financial Statements*", an auditor must communicate with the other auditors to obtain details of turnover declared by them. Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different registered persons aggregate to the audited financial statements. Such an exercise would also be required where multiple registrations are obtained within the same State/ UT. An auditor must also exercise caution while applying the requirements of AS-17 on "*Segment Reporting*" or Ind-AS-108 on "*Operating Segments*" as the case may be, which requires companies to disclose various segments of the entity. Such disclosures made by the entity in the financial statements would be helpful in deriving the turnover of the entity amongst various unit(s).

Turnover in State/ UT includes export of goods, services or both effected from that State/ UT. Care must be taken not to include the inward supplies received by the registered person on which tax has been paid under reverse charge (RCM). Like the tax paid under RCM cannot become output tax, inward supplies on which tax is paid under RCM cannot become outward supplies viz. turnover.

Checks and balances to validate correctness and completeness:

To ensure completeness and correctness of the details of turnover to be declared under this Table , the following checks could be used:

1. Turnover in State/ UT (in case of single registration) must reconcile to the turnover disclosed in the audited financial statements;
2. Turnover in State/ UT (in case of multiple registration) must reconcile to the turnover as recorded in the books of accounts of each registration;
3. Master reconciliation to ensure that the details of turnover declared for different registrations (in case of multiple registrations either due to presence in multiple States/ UTs' or due to unit(s) in SEZ) with the total turnover of the entity.

Precautions:

While declaring the turnover details, the following precautions could be adopted:

- (1) Understanding how the accounts have been derived by the registered person and ensuring their correctness. In situations where, multiple registrations are obtained in the State/ UT due to different business verticals or unit(s) in SEZ, the accounts must be specifically examined as there could be errors/ mistakes/ accounting mis-matches (E.g. turnover of one registrant could be accounted as turnover of another registrant). Though the financial statements would not have any impact for the entity as they are mutually setting off each other, these mistakes must be rectified as they would affect the reported turnover of the respective registered person.
- (2) The audit has to ensure that the inter-unit/ branch accounts are reconciled at the end of the year for verifying their correctness and completeness. The auditor is also required to ensure that wherever revenue is transferred from branch accounts to the head office accounts or *vice-versa*, while computing the turnover of the head office, the same shall not be reckoned twice.
- (3) Care must also be taken with respect to the inter-branch supply of services. It appears that the registered person issues Tax Invoice under cross – charge where as there is a requirement for obtaining the ISD registration and apportioning the ITC among the branches.
- (4) However, in case only one trial balance is maintained for the entity, even though it has multiple GSTINs, the auditor has to ensure that the data of turnover is extracted GSTIN-wise and at the consolidated level it matches with the audited financial statements.
- (5) Ensure to communicate to the other auditors of the registered person furnishing this reconciliation for other States/ UTs' to work out a thorough reconciliation of turnover to be declared.

List of documents:

The following list of documents could be obtained by the auditor for the purpose of declaring the details of turnover under this Table :

- (1) Audited financial statements for the FY to derive the total turnover of the registered person;
- (2) Registration-wise trial balance to facilitate furnishing the FORM GSTR-9C for each registrant;
- (3) Communication with the other auditor to obtain details of the turnover declared by them to ensure completeness and holistic reconciliation of turnover of the registered person;
- (4) FORM GSTR-9 along with supporting FORM GSTR-3B and FORM GSTR-1 returns filed by the registered person to ensure that the turnover declared in the returns match the turnover captured in the audited financial statements;
- (5) Income Tax Returns to ensure that the turnover details are reconciled with the turnover as per GST.

Disclosure:

Notes to reconciliation may contain disclosure regarding certain limitations inherent in this exercise:

- In line with the ICAI regulations, the auditor must suitably disclose the fact that he has relied upon audited financial statements attested by another auditor.
- In case where the registered person is not required to get the accounts audited under any other law, the reasons for the same may be mentioned.

Table No. 5B. Unbilled revenue at the beginning of Financial Year

5B	Unbilled revenue at the beginning of Financial Year	(+)	
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Table No.	Instructions
5B	<p><i>Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here.</i></p> <p><i>For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.</i></p> <p><i>(For example, if Rs. 10 Crore of unbilled revenue existed for the financial year</i></p>

	2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores shall be declared here).
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Introduction

To comprehend the scope of this Table, there is need to understand the concept of 'Unbilled revenue'. In simple terms, unbilled revenue is the revenue recognized in the books of accounts before the issue of an invoice at the end of a particular period. AS-9 "Revenue Recognition" / IND-AS-115 "Revenue from Contracts with Customers" provides for recognition of revenue on full completion/ partial completion of the services though the due date for issuing invoice as per the contract would be on a later date. It is advisable to refer to AS-9 and IND-AS-115 for a better understanding of the concept.

Table 5B requires the addition of unbilled revenue at the beginning of a financial year. Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the earlier financial year for which the invoice is issued under the GST law is required to be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized as income in the earlier year), the value of such revenue is to be declared here.

Analysis

Unbilled revenue would appear in the profit and loss account of the previous year. For information of unbilled revenue at the beginning of a financial year, reference may be made to previous year's audited financial statements.

In case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

➤ Validation of information

Under the GST, the liability to pay tax arises upon supply of services as per section 9 of the Central Goods and Services Tax Act, 2017 ("**the CGST Act**") at the time specified under section 13 of the Act. As per this section, the time of supply of services shall generally be:

- (a) The date of **issue of invoice** by the supplier, if the invoice is issued within the legally prescribed period under section 31 of the CGST Act or the date of receipt of payment, whichever is earlier.
- (b) The date of **provision of service**, if the invoice is not issued within the legally prescribed period under section 31 of the CGST Act or the date of receipt of payment, whichever is earlier.
- (c) The date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two provisions do not apply.

As per section 31 an invoice for supply of services needs to be issued before or after the provision of service but not later than thirty days from the date of provision of service. From the above it is clear that, if the supplier does not receive money in advance, he gets 30 days' time from the date of provision of service to raise invoice and collect tax on the same. Therefore, there would be a timing difference in the recognition of revenue in the books of accounts and the GST provisions. Because of this, Table No. 5B is necessary to reconcile the revenue between the books and the GST returns.

For FY: 2017-18

GST was introduced from 1st July, 2017 one needs to be careful to exclude invoices raised during the period April, 2017 to June, 2017 from the computation. The expression 'financial year' for 2017-18 has already been explained above to be of 9 months, commencing 1st July, 2017, the value under this table must be reckoned as at 1st July, 2017.

As the instruction in FORM GSTR 9C to consider the period 1st July, 2017 to 31st March, 2018 for FY 2017-18, came from 14.11.2019 and original date for filling annual return was 31.03.2018.

Please bear in mind that where a different view may be taken, that is, data as at 1st April, 2017 is reported in table 5A of the Form GSTR 9C. If so, then the adjustments in Table No. 5G is advisable as transactions between April to June, 2017 will not be subject to levy of GST and need to be excluded from the GST reconciliation.

Further, it would be useful if the information is maintained in the tabular form:

Particulars	Amount (Rs.)
Opening balance of unbilled revenue as on (1 st April, 2017 or) 1 st July, 2017	XXXX
Less: Invoice raised during the period April, 2017 to June, 2017	(XXXX)
Less: Invoice raised during the period July, 2017 to March, 2018	(XXXX)
Add: Unbilled revenue recognized as on 31 st March, 2018	XXXX
Closing balance of unbilled revenue as on 31 st March, 2018	XXXX

Another aspect to note in the opening unbilled revenue for the year 2017-18 is to reconcile the same with the transition declaration filed under section 142(11) in FORM GSTR TRAN-01. Section 142(11) deals with overlapping transactions or transactions having relevant events in both, the extant laws and the GST laws.

Illustration

In some situations, unbilled revenue may arise, (Please note that what would appear in Table 5B would only be the transactions for which invoice is raised during the financial year).

For FY 2017-18: value will be reported in Table 5B only for the transactions for which invoice is raised during July, 2017 to March, 2018.

- (1) Representation services provided on 25th of March, 2017 for which invoice is raised on 5th of April, 2017 would be recognized as unbilled revenue. However, this would not be part of Table 5B as this transaction is of the period April, 2017 to June, 2017.
- (2) IT/ ITES services provided for the month of March, 2017 for which invoice is raised on 1st of July, 2017 as per the terms of contract would be recognized as unbilled revenue.

For FY 2018-19: value will be reported in Table 5.B only for the transactions for which invoice is raised during April, 2018 to March, 2019. Fixed landline charges for the month of March, would be recognized as unbilled revenue to the extent of billing cycle in the subsequent month/ quarter.

1. Rental contract for which billing is done on 20th of every month, unbilled revenue would be recognized in the books of accounts as on 31st March to the extent of 11 days of services provided in March.
2. Maintenance contract for which billing is done on 5th of the subsequent month, unbilled revenue would be recognized in the books of accounts as on 31st March.
3. The cost incurred as on 31st March towards construction services for which billing would be done on reaching the milestone in September of the next financial year.
4. In the case of cost-plus companies, if any cost is excluded from billing cycle during the financial year and is identified at the time of audit, it would be booked as unbilled revenue in the books of accounts and invoice would be raised in the month in which it is identified i.e., September or October.

Notes to consider/ control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Reconcile with corresponding declaration made under section 142(11) in FORM GSTR TRAN-01;
- Invoices raised during April 01, 2017 to June 30, 2017 to be excluded and reconciled with FORM GSTR TRAN-01;
- Must be vouched/ checked with notes to accounts in the Balance Sheet (PY and CY);
- Notes to FORM GSTR-9C may be drafted for this Table as to the manner of its quantification from the books and records and correlated with returns filed in FORM GSTR-3B;

- Adequate attention of the reader must be drawn to “Notes on Accounts” and “Significant Accounting Policies” in cases of entities that need to adhere to statutory audit provisions under the allied laws.

Disclosure

Reliance has been placed on the audited financial statements for determining the unbilled revenue and no separate exercise is conducted to validate the same.

Table No. 5C: Unadjusted advances at the end of the financial year

5C	Unadjusted advances at the end of the financial year	(+)	
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Table No.	Instructions
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited annual financial statement shall be declared here. For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.

Table 5I: Unadjusted advances at the beginning of the Financial Year (-)

Introduction

The scope of Part II Table 5C and Table 5I is to make adjustments of unadjusted advances to audited financials for arriving at FORM GSTR-9 turnover.

Analysis

It is a business practice to collect advances from customers before effecting supplies. When an advance is received, since the goods and/ or services would not have been delivered/ rendered, the revenue is not yet earned, whereby this advance would be recorded as a liability (either as a current liability or long-term liability) in the balance sheet as at the end of the financial year.

For Supply of Goods

Section 12(2): The time of supply of goods shall be the earlier of the following dates, namely: —

- the date of issue of invoice by the supplier or the last date on which he is required, under section 31(1), to issue the invoice with respect to the supply; or
- the date on which the supplier receives payment with respect to the supply.

The Government issued *Notification No. 40/2017-C.T., dated 13-10-2017* in terms of section 148 of the CGST Act to permit registered persons having aggregate turnover less than Rs. 1.5 Crores from paying tax on such advances. This facility was extended to all registered persons without threshold limit *vide Notification No. 66/ 2017-C.T., dated 15-11-2017* but only in the case of the supply of goods.

In terms of the above notifications, an auditor has to examine whether the registered person has paid tax on advances till 15th November, 2017.

For Supply of services

Section 13(2): The time of supply of services shall be the earliest of the following dates, namely: —

- (a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under section 31 or the date of receipt of payment, whichever is earlier; or
- (b) the date of provision of service, if the invoice is not issued within the period prescribed under section 31 or the *date of receipt of payment*, whichever is earlier; or
- (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply:

Explanation—For the purposes of clauses (a) and (b)—

- the supply shall be deemed to have been made to the extent it is covered by the invoice or the payment, as the case may be;
- “the date of receipt of payment” shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

Therefore, any advances received from customers before the date of supply of service, on receipt of advance, GST have to be discharged.

Reporting in the GST

- (a) Calculate tax on the advance received:

One has calculated tax on advance and paid tax while filing the return for that month. The advance received (if exclusive of tax) would be considered as cum-tax. Two important points to note:

- (a) Whenever the rate of tax cannot be determined during receipt of advance, GST @ 18% has to be charged.
- (b) Whenever the nature of supply cannot be ascertained, the advance is considered as inter-State supply and IGST has to be paid.

For Example:

Mr. A owner of property entered into a contract on 01.04.2018 allowing M/s. BCD to use the same for commercial purposes with the condition that the rent for 15 months (amounting to Rs. 15,00,000 + GST) will be paid in advance. Further, the contract will be renewed on the mutual agreement at the end of the 15th month with a 10% increment of rent for 15 months to be paid in advance (amounting to Rs. 16,50,000 + GST).

Reporting in GSTR 1

Rate	Gross Advance Received/adjusted	Place of supply	Amount			
			Integrated	Central	State/UT	Cess
1	2	3	4	5	6	7
I. Information for the current tax period						
11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)						
11A (1). Intra-State supplies(Rate Wise)						
11A (2). Inter-State Supplies(Rate Wise)						
11B. Advance amount received in earlier tax period and adjusted against the supplies being shown in this tax period in Table Nos. 4, 5, 6 and 7						
11B (1). Intra-State Supplies (Rate Wise)						
11B (2). Inter-State Supplies(Rate Wise)						

From the accounting perspective, advances received would be considered income received in advance and would be carried as a liability in the balance sheet. This becomes revenue only after supply. Accordingly, the closing balance in the books for the FY 2018 – 19 and 2019 – 20 will be as follows: Particulars	FY 2018 – 19	FY 2019 – 20
Rent Advances Received (Current Liability)	3,00,000.00 (3 X 1,00,000)	6,60,000.00 (6 X 1,10,000)
Rent Income (Profit & Loss A/c.)	12,00,000.00 (12 X 1,00,000)	12,90,000.00 (3 X 1,00,000) + (9 X 1,10,000)

Hence, there would be an adjustment in FORM GSTR-9C 'unadjusted advances'.

- (1) It must be acknowledged that the turnover, of the F.Y. 2018-19 as well as F.Y. 2019 – 20, as per the audited financial statement would not include advances received.
- (2) Whereas this amount would have been offered to tax and reflected in annual return FORM GSTR-9.
- (3) In order to, reconcile these two, since the advances are included in the GST turnover, any unadjusted advances at the end of the F.Y. 2018-19 and 2019-20 shall be added to the turnover of the respective financial year as taken in Table No.5A to nullify the effect and to arrive at the turnover of GST.
- (4) Further, in connection to unadjusted advances at the beginning of the FY (Table No. 5 I), it is advised to check whether the invoices have been raised against the opening advance balances as on 31st March. In the above example though, there is opening advance (i.e., Rs. 3,00,000) however, the tax invoice has been raised against such advances and hence same will not be reported in FORM GSTR 9C. Advances received would be for various purposes. Therefore, only advances on which GST is liable should be considered for adjustment.

Include for adjustment

Sl.No.	Particular's	Reason
1.	Advance received for services as on 31 st March, 2019	Revenue not recognized in books, but offered to tax for GST
2.	Advance received for Goods before 15 th November, 2017 and the supply of goods not complete as on 31 st March, 2019 (Gold advance scheme in Jewelry Industry)	Revenue not recognized in books, but offered to tax for GST

Do not include for adjustment

Sl.No.	Particular's	Reason
1.	Advance received for exempted services as on 31 st March 2019.	GST is not applicable.
2.	Advance received for goods after 15 th November 2017.	GST is not applicable.
3.	Financial Advances received (loan).	Not a GST transaction.
4.	Deposits received.	GST is not applicable.

1. Revenue Recognition Policy as per Accounting Standards (AS) / Indian Accounting Standards (Ind AS)

An entity will record a sale / service as soon as it meets the recognition requirements of applicable AS / Ind AS following the accrual basis of accounting.

AS / Ind AS stipulates the policy for revenue to be recognized in the case of-

- (a) Goods
- (b) Services

1.1 AS-9: Revenue recognition

As per AS-9, revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, rendering services, and the use by others of enterprise resources yielding interest, royalties and dividends.

Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them.

1.1.1 Revenue from sale of goods as per AS-9

A key criterion for determining when to recognise revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognised at the time of transfer of significant risks and rewards of ownership to the buyer.

1.1.2 Revenue from rendering of services as per AS-9

Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

Proportionate completion method-Performance consists of the execution of more than one act. Revenue is recognised proportionately by reference to the performance of each act. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognised on a straight-line basis over the specific period unless there is evidence that some other method better represents the pattern of performance.

Completed service contract method—Performance consists of the execution of a single action. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed till the execution of those actions. The completed

service contract method is relevant to these patterns of performance and accordingly revenue is recognised when the sole or final act takes place, and the service becomes chargeable.

1.2 Ind AS 115: Revenue from Contracts with Customers

The core principle is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity shall account for a contract with a customer only when all of the following criteria are met:

- (a) the parties to the contract have approved the contract and are committed to perform their respective obligations;
- (b) the entity can identify each party's rights regarding the goods or services to be transferred;
- (c) the entity can identify the payment terms for the goods or services to be transferred;
- (d) the contract has commercial substance; and
- (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

During audit/ certification, it would be relevant for the auditor to take note of the revenue recognition policy adopted by the registered person and its impact for arriving at the values to be disclosed under this heading.

As per instructions, the value of all advances for which GST has been paid but has not been recognized as revenue in the audited annual financial statement shall be declared here.

The following are the control checks that an auditor should perform for validation of the amounts reported under this head:

- (1) For a clear demarcation of unadjusted balances i.e., Tables 11A-11B of FORM GSTR-1 may be referred.
- (2) Balance as per the books of accounts to be arrived as per the methodology.
- (3) If the amount mentioned in Sl. No. (1) above does not match with Sl. No. (2), the GST auditor should adopt advances received as per books.
- (4) Generally, a Trial Balance is prepared of the entity and, thereafter, the financials are segregated for the profit and loss account and the balance sheet items GSTIN-wise.

Information reported in FORM GSTR-1 may not be required to be adopted at face value, whereas an auditor has to cross-check the data which is available in the Trial Balance.

Suitable management representation letter has to be obtained since this information is not available on the face of financial statements.

Source of information

- (a) All information reported here must flow from FORM GSTR-1. As such, the working notes for the preparation of FORM GSTR-9 would involve summation of data from FORM GSTR-1 filed as well as any advances which were not reflected in returns filed during the financial year.
- (b) Books of Accounts
 - (i) Audited financial statements.
 - (ii) Break up of short-term and long-term current liabilities.
 - (iii) Groupings which include income received as advances or advances from customers.
 - (iv) Documents underlying sourcing the nature of receipts as to Goods and/ or services.
 - (v) Advances register as prescribed under Rule 56(3) of the CGST Rules. Where every registered person is required to maintain a separate account of advances received, paid and adjustments made thereto.
- (c) GST Returns
 - (i) The sum of Table 11A of FORM GSTR-1 advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability).
 - (ii) The sum of Table 11B of FORM GSTR-1. Advance amount received in an earlier tax period and adjusted against the supplies shown in this tax period in Tables 4, 5, 6 and 7 of the said FORM.
 - (iii) Net advances received but not adjusted for supply (i)–(ii).

Validation

- (a) The value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited annual financial statement shall be declared here.
- (b) Even if not considered in the returns FORM GSTR-1 and FORM GSTR-9, the same shall be added as turnover here.

Sample transactions in the year of receipt of advance (based on the illustration cited above)*On receipt of advance*

Bank Account A/c Dr.	5,00,000		Balance Sheet Current Asset
To Party A/c Cr. (or) To Advance from Customer		5,00,000	Balance Sheet Current Liability

On filing of FORM GSTR-1 Table-11A

GST on Advance A/c Dr.	76,271		Balance Sheet Current Asset
To GST Liability A/c Cr.		76,271	Balance Sheet Current Liability

Sample transactions in the year of adjustment of said advance*On provision of services (actual billing)*

Party A/c Dr.	11,80,000		Balance Sheet Current Asset
To Revenue A/c Cr.		10,00,000	Profit and Loss Account Income
To IGST Liability A/c Cr.		1,80,000	Balance Sheet Current Liability

On filing of FORM GSTR-1 Table-11B – Reversal of liability

GST Liability A/c Dr.	76,271		Balance Sheet Current Liability
GST on Advance A/c Cr.		76,271	Balance Sheet Current Asset

These reversal entries prevalent throughout the year, are reversed usually at the end of every month. Thus, the only entry which is to be given effect for reconciliation between audited financials and annual returns is the unadjusted entries that are lying at the end of the financial year.

Turnover of the State/ UT as per Table-5A	xxxxx

Add: 5C Unadjusted advances at the end of the Financial Year	4, 23,729

5P Annual turnover after adjustments as above	xxxxx

Notes to consider

Some of the common errors might be:

- (a) Considering the total advances irrespective of the fact that it is for exempted supply;
- (b) Ignoring the advances for goods for the period up to 15th October, 2017 which is remaining to be supplied in this computation.

Additional notes to consider

- (a) Amendments made in Table 11 of FORM GSTR-1 in the subsequent financial years.
- (b) Advances received from customer could be credited to sundry debtors account or separately under current liabilities.
- (c) Advances where GST is not payable need to be identified and excluded (as illustrated (*supra*), advance for goods, advances for exempted services).
- (d) Advances which are in the nature of financial transactions (loan) are to be ignored.

Conclusion

Reporting of un-adjusted advances is an important aspect of the audit. The auditor may have to examine the trial balance and financial statements in order to ascertain such advances.

SI. No. 5D. Deemed Supply under Schedule I

5D	Deemed Supply under Schedule I	(+)	
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Table No.	Instructions
5D	<p>Aggregate value of deemed supplies under Schedule I of the CGST Act shall be declared here. Any deemed supply which is already part of the turnover in the audited annual financial statement is not required to be included here.</p> <p>For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.</p>

Introduction

Table 5D seeks to cover the aggregate value of four classes of deemed supplies transactions specified under Schedule I of the CGST Act. Any deemed supply which is already reported as part of the turnover in the audited annual financial statements is not required to be included in this Table. But care is to be taken to identify from the nature of operations and the number of

registrations obtained by the legal entity whether any of the four classes of deemed supplies would be attracted. And if so, the same is to be reported here.

Analysis

As the requirement of this Sl. No. is to report the transactions which were not reported in the financial statements, though the same are reported in the returns filed since they are treated as deemed supplies under the GST laws, there is no direct source which will indicate the value of deemed supplies under any part of the returns or statements filed. Details regarding this have to be extracted from the books/ records.

E-Way bills raised would be a good guiding factor to identify such instances in respect of goods while an auditor may have to delve deeper to understand the transactions relating to services. For instance, transactions relating to stock transfer of goods may be extracted from delivery challans or on an analysis of e-way bills, whereas transactions of service transfers will be based on an understanding of the nature business.

Since this information may not be readily available from books, it might be relevant for the auditor to design his audit/ verification program to include possible deemed supply transactions to ensure the proper reporting of this aspect. Though it is possible for the auditor to envisage most of the scenarios, it is better to take proper management representation for the completeness of these transactions.

The auditor should look beyond the books of accounts and look for alternative evidence and information for reporting in Sl. No. 5D.

1. *Permanent transfer or disposal of business assets where input tax credit has been availed on such assets*

Of the 8 forms of supply, the only forms that qualify as supply under this category are 'transfer' or 'disposal'. Therefore, any transfer or disposal of business asset needs to be verified from the fixed assets schedule and reported here. All discarded/ sale of assets would find mention in the disposal of assets column in the Fixed Assets Register/ Schedule and this would be a good indicator to ascertain, if tax has been calculated on such disposals.

Donated assets too are subject to GST. Certain other examples would be the decommissioning of an entire plant, impairment of assets, assets taken by a proprietor on completion of their useful life (computer taken by the proprietor) etc. In each such cases, the auditor has to carefully check if input tax credits have been availed and if they have been, then such transactions would attract the levy of GST. Where such assets have been procured under the old law and have been discarded, destroyed, transferred or disposed of in the GST regime, then the transaction would be deemed to be one of supply and attract levy.

2. *Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:*

For a detailed discussion on the conduct of audit of multi-location entities, please refer to Chapter-3.

Gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

The auditor must also remember to determine whether such a gift is a unilateral act of the employer to an employee. It should not be relatable to the terms of employment or supply. For example, a software engineer who has achieved a particular milestone, may be gifted a car (which is not relatable to the terms of employment). Such a transaction would be one of deemed supply and will attract the levy of GST.

Intra-company transactions:

Intra-company transactions such as stock transfer, which are taxed in the GST regime in case of inter-State supplies or between different business locations within the same State where separate registration has been obtained under the GST law, are not taxable supplies of the company. But this Sl. No. in Schedule I deem such transactions as those which attract payment of taxes. The effect of these transactions gets nullified at the consolidated financial statement level and, therefore, identifying and reporting of such transactions for audit purposes would require special attention. Valuation for stock transfers would not be an issue so long as the tax paid by the supplier on such stock transfers qualify as input tax credit in the hands of the receiving branch. However, if the tax paid on such stock transfers do not qualify as input tax credit, valuation in terms section 15 of the CGST Act read with Rule 27 to 35 of the CGST Rules would have to be factored.

3. *Supply of goods-*
- (a) *by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or*
 - (b) *by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.*

In case of consignment or agency transactions, the reporting in terms of this Table is to be reflected as outward supplies in the hands of the principal and as inward supplies in the hands of the consignee and not just commission earned by the agent.

An agent of the principal is one who carries on the business of supply or receipt of goods or services or both on behalf of the principal. The agent functions as an extended arm of the principal and, therefore, supplies (inward and outward) effected by an agent on behalf of the principal would be treated as supplies effected by the principal.

The principal shall recognise the transfer of goods to an agent as a supply, at the time of effecting such transfers. The agent who supplies such goods on behalf of the principal would have to issue the invoice to the third-party recipient in the name of the principal.

The reporting of the supply value to the customer would have to be reflected by the agent in his GSTIN. Although this is a commission transaction in books of account, it is required to be treated as trading transaction for GST purposes. Please note that rate of tax indirectly applicable to the commission (involved in the price differential earned by agent) will be taxed at the rate applicable to the underlying goods and not at the rate applicable to commission service.

The value of commission would have to be separately mentioned by the agent through a separate invoice.

4. *Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.*

Import of services may not get recorded in the books of accounts on accrual basis since such transactions are with related persons. But an inference could be drawn by the auditor on a perusal of the past transactions, wherein such expenses have been incurred on a regular basis.

Illustration

- Transfer of machinery from Agra branch to Bengaluru branch without consideration for indefinite usage in production activity is a supply although there is no consideration involved.
- An architect located in New Jersey, USA may provide services to say his brother who is a builder in India and is a taxable person.
- Foreign branch supplying manpower to the head office located at Hyderabad.
- Cloud servers and data storage facilities are commonly shared by a group of entities. Each region is allocated its share of cost. In such instances, it is possible that due to differences in the financial year closure in various other branches, the relevant cost of the Indian entity may not be recorded. The auditor needs to ensure that by the year end, these costs are also reckoned the GST has been paid and the relevant input tax credit claimed.

In the above illustrations, even though no consideration is involved, it would still be treated as supply of services without consideration and attract taxes.

Notes to consider

- (i) Improper or incorrect valuation of the supplies made without consideration;

- (ii) Not recognizing deemed supply of services between distinct persons;
- (iii) Not recognizing transfer of capital goods to distinct persons.

Disclosures for consideration

- (1) The auditor has to assess the systems and processes adopted by the entity with a view to identifying such transactions. Suitable disclosure may need to be provided by the auditor for the basis of such identification and its treatment under the GST laws.
- (2) If there is any system/ methodology for such an identification, then the auditor has to assess the completeness and correctness of the said system so as to cover all the aspects;
- (3) To examine records and to confirm if the system is followed consistently.
- (4) If there is no proper system, to consider the possibility of any transactions that may have escaped attention.
- (5) In cases of deemed supply transactions, it would be relevant to include suitable disclosures even in the management representation letter.

SI. No.5E. Credit notes issued after the end of the financial year but reflected in the annual return.

5E	Credit Notes issued after the end of the financial year but reflected in the annual return	(-)	
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Table No.	Instructions
5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (FORM GSTR-9) shall be declared here. For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table 5O.

Introduction

This Table mandates reporting of the aggregate value of credit notes which were issued and accounted in the next financial year in respect of any supply accounted in the financial year; however, the credit note is netted off in the annual return for the year of such supply. But, it is uncommon, although not impossible, for credit notes dated after 1st April, 2019 to be given effect in the financial accounts of 2018-19. This SI. No. applies only in such rare cases. For the most part, this SI. No. may be 'nil'.

This Table requires collation of information recorded in the returns filed during the period April to September of the subsequent financial year and up to the date of filing of the Annual Return in respect of Credit Notes/ Adjustments made in respect of transactions pertaining to the previous financial year. All such Adjustments made/ Credit Notes issued and reflected in FORM GSTR-1 for the above period should be considered for filling this information. The value of transactions collated as cited *supra* shall be considered for adjustment of turnover reflected in the audited financial statements to derive the turnover as per the annual return in FORM GSTR-9.

Analysis

- Step 1: Prepare a list of credit notes dated after 1st April of the subsequent financial year.
- Step 2: Prepare another list of credit note adjusted in Tables 9A, 9B and 9C of FORM GSTR-1 'for' the financial year whether filed on-time or belatedly.
- Step 3: Validate that these credit notes have not been 'given effect to' in the turnover derived in 5A.

By the above adjustment, the turnover derived from the audited annual financial statements does not contain the 'effect' of these credit notes, but FORM GSTR-9 already contains its 'effect' due to their inclusion in FORM GSTR-1 'for' the financial year. In reconciling turnover in financial statements and FORM GSTR-9, it is important to 'reduce' the turnover in financial statements (at 5A) to enable it to reconcile with turnover in FORM GSTR-9.

S1: BOOKS NOT OK RETURNS NOT OK [Transaction of Previous FY]	S2: BOOKS OK RETURNS NOT OK [Transaction of Previous FY]
S3: BOOKS OK RETURNS OK ADDITIONAL INFO --> CHANGE BOOKS [Transaction of Previous FY]	S4: BOOKS OK RETURNS OK ADDITIONAL INFO --> No change in Books [Transaction of Current FY]

Notes to consider

- **Scenario 1:** Transactional entry wrongly posted in the books of accounts and returns also filed accordingly, which are noticed during the subsequent F.Y. call for adjustment of transactions pertaining to the last F.Y.
- **Scenario 2:** Transactional entry posted properly in the books of accounts and wrong data furnished in the returns filed. Noting this error in the subsequent F.Y., suitable changes are made in the returns filed during the relevant tax period till the date of filing of the annual return or September tax period, whichever is earlier.

- **Scenario 3:** Transactional entry posted properly in the books of accounts and returns also filed properly. Some additional knowledge about the transactional entry of the previous year noted before the auditor certification of books of accounts calls for the adjustment of books of accounts of the previous F.Y.
- **Scenario 4:** Transactional entries posted properly and returns filed duly as per the books of accounts. Additional information demanded for adjustments to the transactions of the last F.Y. to be incorporated in the current F.Y. These adjustments don't demand any correction to books of accounts of the last F.Y.

Additional notes to consider

- Information collated for Table 5E of FORM GSTR-9C should be thoroughly examined with necessary supporting documents furnished to trace back the transaction in the previous financial year.
- Reconcile duly the transactions reported in the returns filed during the previous financial year with corresponding books of accounts to check the accuracy of adjustments reported in the current financial year for the amendments/ credit notes reported as per Table 9 of FORM GSTR-1.

Conclusion

Therefore, Table-5E of FORM GSTR-9C contains information pertaining to credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return in FORM GSTR-9.

Table-5F. Trade discounts accounted for in the audited annual financial statement but are not permissible under GST

5F	Trade Discounts accounted for in the audited annual financial statement but are not permissible under GST	(+)	
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Table No.	Instructions
5F	<p>Trade discounts which are accounted for in the audited annual financial statement but on which GST was leviable (being not permissible) shall be declared here.</p> <p>For F.Y. 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

Introduction

Table-5F requires disclosure of trade discounts which have been given effect to, in the audited

financial statements but which are not permissible as part of deductions from the value of supply under the GST laws.

Analysis

This data/ information can generally be obtained from the credit side of the Profit and Loss account. It is also a business practice that trade discounts would be netted off against the turnover of outward supplies. In the case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

Non-allowance of the same has to be identified on the basis of the documents maintained by looking into the conditions of allowance as deduction against the supply made as per section 15(3) of the CGST Act.

Since it may be difficult to verify all the cases of trade discounts by the auditor to consider the eligibility for deduction, it may have to adopt some other audit techniques to ascertain the same. Also, it would be important to obtain the appropriate management representation letter from the entity.

➤ Validation

The concept of 'sale price' does not permit the inclusion of trade discount in the sale price. Wherever any credit notes are to be issued for discount or sales incentives by one dealer to another dealer after issuing the tax invoice, the selling dealer shall issue a credit note without disturbing the tax component on the price mentioned in the original tax invoice, so as to retain the quantum of input tax credit already claimed by the buying dealers as well as not to disturb the tax already paid by the selling dealer.

Trade discounts can be issued in various ways, such as special discounts, rebates, remissions, compensations, bonus, etc. Some of these are discussed below:

- (i) **Special discount or rebate:** It can be issued by a supplier to a recipient for maintaining the business relationship or for any extraordinary purchase made by the dealers. This discount is contingent upon future purchase by the dealer. Such discount is not established in terms of a prior agreement or before the time of such supply and not specifically linked to relevant invoices. So, if the special discount is not established according to any agreement, there would be no deduction from the sale price as per the provisions.
- (ii) **Bonus discounts:** This discount is given only to those customers who purchase goods more than the stipulated numbers. However, this is not decided at the time of supply, but given subsequently, after discussions and negotiations. These are also considered as discount from the accounting perspective, whereas under the GST they would be allowed only if they have been pre-agreed before the supply. Because of this, there would be mis-match between the financials and the GST turnover.

- (iii) **Incentive/ commission:** It is a business practice that payments made to the distributors, dealers and other channel partners titled as incentive or commission which is generally accounted for in the financials as discount. However, under the GST this will not be considered discount because it is given in the form of incentive without reducing the sale price. This may well be a case of 'cross supply' which may involve invoice being issued with applicable GST by the channel partner (recipient of the said credit note). Care must be taken to look beyond the title of 'discount' and examine the 'nature' of the underlying transaction.
- (iv) **Remission:** The reduction allowed from the sale price to the purchaser, to compensate him for the general fall in prices would not amount to a discount, because it happens subsequent to supply and would not have been a part of any agreement.
- (v) **Compensation:** The dealer would get compensation in the form of rate difference or trade discount in case of a significant correction of prices. For example, a dealer has to sell 500 tyres to the final customer at Rs. 900, against the original purchase price of Rs. 1,000. The Rs. 100/- rate difference is to be compensated for the dealer by the manufacturer. In case it has been found that the taxable value of outward supplies has been disclosed in FORM GSTR-1 and FORM GSTR-3B has been derived by allowing the trade discounts the auditor has to examine:
- Whether a discount is as per the provisions of the Act.
 - If it does not satisfy the conditions under the GST. The rectification (if any) by the supplier in the FORM GSTR-3B filed for the subsequent period from April to September of next year.
 - If it satisfies the conditions under the GST; whether the input tax credit attributable to such discounts has not been reversed by the recipient.

➤ **Illustration**

Q. Whether the following trade discounts would form part of reporting under '*Trade discounts accounted for in the audited annual financial statement but are not permissible under the GST*':

- (a) Turnover discount of Rs. 50,000/- issued by way of credit notes issued by the supplier during August, 2019 wherein the receiver has not reduced the tax rates.
- (b) Quantity discounts of Rs. 10,000/- issued by way of financial credit notes without tax impact.

Ans. Yes, both the above discounts shall form part of reporting under Table-5F of FORM GSTR-9C, since the discounts have been provided by way of credit notes issued by the supplier without any impact on tax.

➤ **Notes to consider**

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- (a) The valuation of trade discounts for the purposes of disclosures under this head, has to be clearly documented.
- (b) The input tax credit reflected in FORM GSTR-1 attributable to such trade discounts has to be maintained.
- (c) The trade discount has to be demarcated between the supplies made in the erstwhile law and the GST regime.
- (d) The customer agreements have to be scrutinised to determine the quantum of non-allowable discounts.

Additional notes to consider

- (a) The taxable person has obtained confirmation from the customers that they have reversed ITC in relation to the credit note issued.
- (b) In absence of online acceptance of the credit note by FORM GSTR-2, the supplier has to obtain such confirmation to ensure the compliance of section 43 of the CGST Act.

➤ **Conclusion**

Therefore, Table-5F of FORM GSTR-9C contains the trade discounts which have not been allowed in relation to the supplies made during the financial year and accounted in the financial statements. The following discussion on “Financial Credit Notes” may be referred-

(i) **Analysis**

In terms of section 34 of the CGST/ SGST/ UTGST Acts, the supplier of goods and/ or services is permitted to issue credit notes and debit notes in very specific situations which are summarized in the following manner:

Credit Notes	Debit Notes
Taxable value or tax charged in the tax invoice is found to exceed the taxable value or tax payable.	Taxable value or tax charged in the tax invoice is found to be less than the taxable value or tax payable
Goods supplied are returned by the recipient.	
Goods and/ or services or both supplied are found deficient.	
Pre-agreed discount given after the issue of invoice subject to conditions.	

It is pertinent to mention here that section 34 of the CGST Act, *inter alia* provides that where one or more tax invoices have been issued for supply of any goods or services or both, the supplier may issue to the recipient one or more credit notes/debit notes for supplies made in a financial year for the purposes stipulated above.

Some experts believe that, credit note can be issued by reducing the taxable value without affecting the tax involved in the amount of such reduction. In this regard, the attention to the proviso to section 34(2) where reduction in output tax liability of the supplier is not permitted, if the incidence of tax and interest on such supply has been passed on to any other person. Verification of this fact in the books of the counter party is admittedly too onerous but if such credit notes are correctly reported in FORM GSTR-1, it would leave a trail for verification and compliance in due course.

For these reasons, it is believed that a taxable person may issue a credit note reducing the value of original supply without tax attributable to the reduction claimed. Such credit notes are referred to as 'financial credit notes. When financial credit note is issued by a supplier, it would adjust turnover of the original supply and hence, the revenue recorded in the books of accounts. However, such credit notes would not be declared in the returns under the GST law.

Now, there would be difference in revenue as per the audited annual financial statements and the turnover reckoned for the purpose of GST returns. The value of such credit notes should be declared against Part II Table 5J of Form GSTR-9C as 'credit notes accounted for in the audited annual financial statement but are not permissible under the GST'. Table 5J increases the revenues as appearing in the audited financial statements.

It is evident from the above that credit notes not admissible under the GST would attract incidence of GST. In other words, the registered person should not issue the credit note with GST except for the conditions prescribed under section 34 of the CGST Act. However, the return of goods (after Sept of the next year) may still warrant issuance of such financial credit notes but as the Government has clarified in *Circular no. No. 92/11/2019-GST dated 7-03-2019* ("**Circular No. 92**"), it may be more appropriate that such returns be against and 'invoice with GST' (return supply) rather than 'credit note without GST'.

It is relevant to note that credit notes issued under the provisions of section 34 viz., mentioning the value of taxable value and the tax payable thereon as well is not required to be declared in the reconciliation statement in FORM GSTR-9C for the reason that such credit note would have already been declared in the monthly returns/ annual returns. Also, some consideration is to be given to the implication under rule 37 in the hands of the recipient (of said credit note).

(ii) **Situations in which the financial credit notes are issued**

Legally, any reduction in the taxable value would require a reduction in the tax payable on the relevant supply of goods and/ or services. However, there are certain situations in which issuance of credit notes mentioning the amount of GST would not be permitted.

Some of such illustrative situations are given below:

- (a) **Discounts offered post supply:** The discount issued by the supplier after effecting supply of goods and/ or services if not in terms of the provisions as specified under section 15(3) of the CGST/ SGST/ UTGST Acts, the supplier cannot claim reduction in the output tax liability. And to adjust the value of supplies by way of offering discounts after affecting the supply of goods and/ or services, the supplier may issue a credit note without mentioning the corresponding amount of tax.
- (b) **Credit notes issued in relation to exempt supplies, zero-rated supplies and non-GST outward supplies:** The supply of exempt, zero-rated and non-GST outward supply of goods and/ or services are not liable to GST. In such a scenario, the credit notes issued for claiming reduction in the taxable value shall be recorded in the audited annual financial statements. Such credit notes should be declared against Part II Table 5J of FORM GSTR-9C.
- (c) **Credit notes issued after expiry of the time limit specified under the GST laws:** In terms of section 34 of the CGST/ SGST/ UTGST Acts, a supplier cannot issue a credit note any time after either of the following two events:
 - (i) Annual return has been filed for the F.Y. in which the original tax invoice was issued; or
 - (ii) September of the F.Y. immediately succeeding the F.Y. in which the original tax invoice was issued (e.g., for a tax invoice issued in April, 2018 as well as a tax invoice issued in March, 2019, the relevant credit notes cannot be issued after September, 2019)
- (d) **Refund of the consideration where the tax is not refunded to the recipient:** The supplier of goods and/ or services may, in terms of the agreement, in a situation of unfructified supplies, refund only the amount received towards the value and not the taxes collected. In such a scenario, the supplier may issue financial credit notes without mentioning the amount of tax applicable thereon.
- (e) **Other situations:** There could be certain situations where the supplier despite of issuing credit notes specified under section 34 of the CGST/ SGST/ UTGST Acts, may issue financial credit notes. This practice of issuance of financial credit notes is followed in the below given situations:
 - (i) Sales returns after filing following year's September Return -the supplier may refuse to issue GST credit note for return of goods;
 - (ii) In automobile/ FMCG sector, the manufacturer generally instructs the dealer to supply vehicles at a discounted price and agrees to adjust such

discount from the amount receivable from the vehicle dealer. Such adjustments are done, as per section 15, without adjusting the amount of GST collected at the time of effecting the supply of vehicles by the manufacturer to the dealer.

- (iii) In the case of the pharma industry, the value of expired/ un-expired goods returned is adjusted out of amounts receivable from the super distributors, wholesale distributors, distributors etc., and the said adjustments are carried out by issuing any of the below document:
- by way of GST credit notes as per section 34 of the CGST Act, 2017 on satisfaction of the below conditions:
 - the manufacturer has issued a credit note within the time of filing the Form GSTR 3B for the month of September of next FY.
 - the super distributors, wholesale distributors, distributors etc., returning the expired medicines has also reduced his ITC to that extent.
 - by way of Financial Credit Note when the conditions are not met.

It is clear from the above illustrations that while the GST credit notes in case of supply of goods and/ or services should be issued in terms of section 34, it may not always be practicable to do so. However, in the case of the illustrations listed under para (e) 'other situations' the question whether the practice of issuing them would be appropriate and in compliance with the GST law is still unanswered. And in the context of 'discount in kind' (goods given freely) Circular No. 92 does not categorically state the tax position regarding credit notes issued. It is very guarded in its language to state that 'if there is no consideration, then credit reversal will be adequate. But that is precisely the area of doubt 'if there is any consideration when samples are issued.

- (iii) **Compliances and treatment of financial credit notes:** The financial credit notes issued by a taxable person should not be declared either in the monthly returns filed in FORM GSTR-3B or outward supply statement filed in FORM GSTR-1, since it does not involve adjustment of output tax payable. Financial credit notes would also not be declared in the annual return filed in FORM GSTR-9. In as much as the reconciliation statement in FORM GSTR-9C is concerned such financial credit notes may be declared for the reason that the value of such notes is given effect in the revenue of the audited annual financial statements. Therefore, such credit notes whether issued in terms of section 34 or otherwise, should be declared against Part II Table 5J of FORM GSTR-9C.

- (iv) **Implications upon issuance of financial credit notes:** With reference to the explanations given above, financial credit notes would not adjust the amount of GST involved in the original tax invoice issued at the time of supply of goods and/ or services. Accordingly, the transaction value of supply of goods and/ or services shall stand reduced although tax paid thereon remains the same. This may result in a higher amount of GST being paid considering the adjusted value of the original supply. In this regard, attention is invited to section 16(2) of the CGST/ SGST Act read with Rule 37 of the CGST Rules, wherein it is stated that unless payment of consideration is not made within 180 days from the date of issuance of invoice, the recipient would not be entitled to input tax credit to the extent of the shortfall in payment. Some proponents of the permissibility of financial credit notes believe that 'payment' is intended to refer to 'settlement of invoice', and such settlement could arise by actual payment or through financial credit note. It is a matter to be carefully considered in the light of the effect that Part II Table 5J of FORM GSTR-9C has on the taxable value of outward supplies in the reconciliation statement.

Table-5G: Turnover from April, 2017 to June, 2017

5G	Turnover from April, 2017 to June, 2017	(-)	
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Table No.	Instructions
5G	Turnover included in the audited Annual Financial Statement for April, 2017 to June, 2017 shall be declared here. For F.Y. 2017-18,2018-19 and 2019-20, the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.

Introduction

In terms of this Sl. No., the turnover included in the audited financial statement for the period April, 2017 to June, 2017 shall be declared and deducted from the annual turnover to arrive at the turnover as per the GST laws.

Analysis*Relevant Provisions*

- (i) Section 1(3) of the CGST/ SGST/ IGST Acts states that the provisions of the said Acts shall come into force on such date as the Central Government/ respective State Governments may by notification in the official gazette appoint.
- (ii) As per *Notification No. 9/2017-C.T., dated 28-6-2017* and *Notification No. 3/2017-Integrated Tax, dated 28-6-2017*, the Central Government appointed 1st July, 2017 as the date on which provisions of section 6 to section 9 (*inter-alia containing provisions*

relating to taxable event and charging section) and section 31 to section 41 [*inter-alia* containing provision for audit under section 35(5)] shall come into force.

- (iii) Since the Acts came into force on 1st July, 2017, the *taxable event, subject matter of tax, person liable to pay tax and rate at which the person is liable to pay tax*¹ became operative as on 1st July 2017. Further, the charge under a fiscal statute shall operate only from the date the statute becomes operative.²
- (iv) As per section 35(5), every registered person whose turnover in a *financial year* exceeds the *prescribed limit*, shall get his accounts audited by a Chartered Accountant/ Cost Accountant. Rule 80(3) of the CGST Rules provides this limit as Rs. 2 Crore for FY 2017-2018. Financial year means the year commencing on the first day of April as per the General Clauses Act, 1897. This could raise a question as to whether turnover ought to be computed from 1st April, 2017 (the start of the financial year) or 1st July, 2017 (the date from which the GST came into effect).
- (v) This Sl. No. clarifies that turnover for the Financial Year 2017-18 should be computed from 1st July, 2017 to 31st March, 2018. Hence, the turnover for the period commencing April, 2017 to June, 2017 is to be deducted from turnovers as per the books of account to arrive at the aggregate turnover as per the GST laws.

Source of Information

The returns filed under the Excise Laws, State Level VAT Laws, and the Finance Act, 1994 (service tax returns) examined with invoices, gate passes, lorry receipts and entries made in the books of accounts are the source documents for procuring this information.

Validation of Information

The turnovers declared in the said excise return, State Level VAT returns and Service Tax should match with the turnovers declared in the books of accounts for the period relating to April, 2017 to June, 2017, subject to the point of taxation differences that may arise in terms of the erstwhile laws and accounting standards relating to revenue recognition.

Methodology to extract turnover from April, 2017 to June, 2017:

There could be cases where the financial statements are drawn up quarterly. In such cases, the quarterly turnovers can be adopted and adjustments can be made relating to the point of taxation under the excise law, State level VAT law and service tax law to arrive at taxable values as per the erstwhile laws. The said value must be entered under this head.

¹ The four essentials required for a fiscal statute to operate. Please see *Govind Saran Ganga Saran v. Commissioner of Sales tax* — (1985) Suppl. SCC 205

² *CCE V. Vazir Sultan Tobacco Co Ltd.*, 1996 (83) ELT 3 (SC)

Turnovers forming part of the tax periods 1st April, 2017 to 30th June, 2017, which were liable to tax under the erstwhile laws as per the provisions relating to the point of taxation rules should be deducted from the turnover.

It may be noted that tax is liable to be paid on removal in case of excise or on sale under VAT law or on provision of service (or issue of invoice as the case may be) under service tax law provisions and not on accrual basis or cash basis (which is the basis of accounting and hence basis of annual turnover as per financial statements). Thus, the criteria for reducing turnover for the period April, 2017 to June, 2017 is not when the revenue was recognised as per relevant accounting standards, but whether or not the said amounts were liable to tax under the erstwhile laws as per the point of taxation under the said laws.

Amounts forming part of turnover relating to works contracts, where consideration was received during the period April, 2017 to June, 2017, but supplies were effected or services were rendered after June, 2017, needs to be deducted under this table because the said consideration was liable to tax on receipt basis as per the service tax law and State level VAT laws. However, where VAT-ST are paid but the said supplies are rightly liable to GST, then this value needs to be added back in Table-5O [see the relief from double tax allowed by section 142(11)(c)]. Please note that a transaction once 'leviable' to tax under earlier laws will not again become 'leviable' to GST, even if one or other elements of 'time of supply' occur later.

It is opportune to mention at this stage that there is a saving clause in section 142(11)(a) and (b) of the CGST/ SGST/ UTGST Acts, which states that transactions liable to VAT/ service tax would not be exigible to GST in case the provision of time of supply under the GST also stands attracted to the very same transaction. There is no such saving clause mentioned for excise duty (i.e. for goods manufactured and cleared from April, 2017 to June, 2017) but sold after June, 2017 (e.g.: clearances made on sale or approval basis prior to July, 2017, sold after July, 2017). However, *Notification 12/ 2017-CE, dated 30-06-2017*, grants exemption in the case of goods manufactured prior to 30th June, 2017 but cleared/ supplied after 1st July, 2017, provided GST is leviable on such goods.

Notes to consider

➤ **Checks and balances to validate correctness and completeness**

Following tests, though not infallible, could be used as checks and balances to verify and validate the correctness and completeness of data entered under this head:

- (1) For matching returns with the turnover.
 - (a) Amounts declared in Excise Returns/ State Level VAT Returns need to be reconciled with turnovers declared for the period April, 2017 to June, 2017. Clearances to job workers, stock transfers and supplies to agents would have to be reconciled amongst others, to validate the correctness of turnovers.

- (b) In case of services, the relevant ST-3 Return for the period April, 2017 to June, 2017 has to be reconciled, taking into account cases relating to advances for services provided after July, 2017 and services accounted in the books after July, 2017 [and hence, liable to service tax and not GST as per section 142(11)(b)].
- (2) *For Goods:*
- Cut off procedures in the form of physical verification of goods in stock as on 30th June, 2017, with corresponding invoices/ delivery challans/ e-way bills (under the erstwhile laws) may be checked to validate the correctness of data for goods.
- (3) *For Services:*
- (a) Consideration received as advances in April, 2017 to June, 2017 for which services are provided on or after July, 2017 needs to be included in the turnover for April, 2017 to June, 2017 since the said consideration is liable to service tax as advances on receipt basis and not liable to the GST as per section 142(11)(b) though services are provided on or after July, 2017.
- (b) Services completed in April, 2017 to June, 2017, for which invoices have been issued after 30th July, 2017, are to be included in turnover for the period April, 2017 to June, 2017 as per Rule 3 of the Point of Taxation Rules, 2011 of the Service Tax Regulations. The aforesaid services would be liable to Service Tax and not GST as per section 142(11)(b) of the CGST/ SGST/ UTGST Acts.
- (c) In terms of the Service Tax Regulations, evidence for completion of services in the form of sign offs have to be compared with the corresponding invoice dates, in exceptional cases, where there is an undue delay in issuing invoices beyond the stipulated period of 30 days. In such cases, the taxable value relating to such invoices needs to be reflected in this table for the period April, 2017 to June, 2017 although the invoice is issued after July, 2017. This is because the said services would be liable to service tax and not GST.
- (d) In terms of the Service Tax Regulations, in case of continuous supply of services, the auditor would have to verify (by way of sign offs/ chartered engineer certificate etc.) the occurrence of the relevant/ threshold taxable event under those laws. It must also be verified as to whether in such cases, the recipient is required to effect payments. If such an event has occurred, then notwithstanding the fact that consideration is received on or after 1st July, 2017, such turnovers must be reflected in this Table as turnover from April, 2017 to July, 2017.
- (e) An individual or a proprietary firm or a partnership firm or a HUF are liable to pay service tax on receipt basis as per the proviso to Rule 6(1) of the Service Tax Rules, 1994 where the aggregate value of taxable services is Rs. 50 Lacs or less in the

previous financial year. In such cases, the consideration may be accounted on receipt basis after July, 2017. Even in these cases, the said turnovers must be reflected under this Table for April, 2017 to June, 2017, since the said consideration is liable to service tax, though received after July, 2017.

- (4) The effect of transition provisions must be checked and given their due play-
- (a) Goods manufactured and removed (for approval) prior to 1st July, 2017 under the erstwhile Excise laws would be subject to the payment of Excise duty under those laws. If such goods are sold after July, 2017 then GST would stand attracted based on the date of raising of the relevant tax invoice. This is because, the machinery provision relating to central excise duty occurred prior to 1st July, 2017 but supply of the said goods (sale in the present case) occurred post 1st July, 2017. It must be noted that the recipient of goods in this case would have availed the relevant excise duty credits. Lastly, such turnovers need not be reflected under this Table.
 - (b) As per section 142(11)(a) and (b) of the CGST Act, if VAT/ service tax is leviable, then GST would not be payable, notwithstanding the fact that supply is made after 1st July, 2017 and the time of supply provisions under the GST apply thereto. Thus, services provided after 1st July, 2017 for which consideration is received prior to 1st July, 2017 should be deducted under this Sl. No. as turnover from April, 2017 to June, 2017.
- (5) The aforesaid reconciliations ought to tally with declarations made under section 142(11) in FORM GST TRAN-1.

Illustration:

Please specify which of the following supplies would form part of reporting under turnover for the period April, 2017 to June, 2017.

Query (a)

Goods were manufactured and cleared from a factory on 1st June, 2017 on sale or approval basis. The goods were not approved by the recipient and returned back on 25th December, 2017.

Reply (a)

Since the goods were not approved and returned after the stipulated period of 6 months, the value of the said supplies would not be included in turnover in the audited financial statements. However, as per the 2nd proviso to section 142(12) of the CGST Act, since the goods were returned after 6 months from appointed date (i.e., 1st June, 2017), GST would be payable for the tax period December, 2017 in respect of the return supply by the customer who rejected the goods. Though the transaction originated in the period April, 2017 to June, 2017, the turnover will not be reflected under this Table. However, one may reflect such

adjustment under Part II, Table-5O 'Adjustments in turnover due to reasons not listed above' as addition.

Query (b)

Goods were manufactured and cleared from a factory located in Bangalore on 30th April, 2017. The goods were cleared to its showroom located in Hyderabad and eventually sold from there on 30th August, 2017. The audit under the GST law will be conducted for Bangalore GSTIN.

Reply (b)

The said goods are liable to excise duty since the goods have been cleared on 30th April, 2017. The goods would not form part of turnover as per the financial statements since it is a branch transfer. It would stand reflected as branch transfers under the State VAT laws. Since audit is being conducted for Bangalore GSTIN and since supply has occurred from Hyderabad GSTIN, it would not be necessary to make adjustments for the period April, 2017 to June, 2017.

Query (c)

Services were provided during the period June, 2017. The service was completed on 20th June, 2017, but invoice for the service was raised only on 1st August, 2017.

Reply (c)

Since the invoice was raised after a period of thirty days, service tax is liable to be paid for the period ending June, 2017 as per the proviso to Rule 3(a) of the Point of Taxation Rules. Since the said transaction is liable to service tax, it is not liable to GST as per section 142(11)(b) of the CGST Act, though the invoice is raised during the GST regime. Therefore, the said value of invoice must be deducted for the period April, 2017 to June, 2017.

Query (d)

Continuous supply of service in the nature of construction service is being provided. The construction started on 1st May, 2017 and is yet to be completed as on 31st March, 2018. The 'first floor slab' of construction work was completed on 30th June, 2017, at which point every customer was required to pay Rs. 2,00,000/-. Only 50 out of 200 customers paid. So, revenue has been recognised only for 50 customers as on 30th June, 2017. 110 customers paid during the period 1st July, 2017 to 31st March, 2018, which has been recognised as revenue for the period ended March, 2018. Please also state what to do about 40 customers who did not pay any consideration.

Reply (d)

As per proviso to Rule 3(b) of Point of Taxation Rules, 2011, in the case of continuous supply of service, the point of taxation shall be the point in time which requires the service recipient to make payment to the service provider. In the impugned case, the service recipient is liable to

pay to the service provider as per the agreement on completion of construction related to 'first floor slab' completed on 30th June, 2017. If invoices are raised on or before 30th July 2017, the date of raising the invoice shall be the point of taxation. If invoices are not raised before 30th July 2017, the date of completion of service i.e. 30th June, 2017 shall be the point of taxation. Thus, service tax is liable to be paid on consideration of Rs.2,00,000/- relating to each of the 200 customers, irrespective of whether consideration is received or not from the 200 customers by the builder. Since consideration received from 160 customers has been received (50 + 110), the relevant turnovers (160 customers multiplied by Rs.2,00,000/-) has to be reduced from the turnover under this Sl. No., though service tax would be payable on the product of 200 customers into Rs. 2,00,000/-.

Query (e)

Continuous supply of service in the nature of telecommunication service has been provided for the period 1st June, 2017 to 30th June, 2017. The bill is raised on 3rd July, 2017. The bill is payable by the customer only on 21st July, 2017. Should the revenue be recognised in the month of June, 2017 and reduced from total turnover or should it form part of turnover for the period July, 2017 to March, 2018 since the due date for payment of consideration is 21st July, 2017. The entity recognised the revenue in the month of June, 2017.

Reply (e)

As per proviso to Rule 3(b) of the Point of Taxation Rules, 2011, the point of taxation in the impugned case would be the date on which bill has been raised i.e., 3rd July, 2017. Though invoice has been raised in the GST regime, service tax is payable since service has been provided during the currency of the Finance Act, 1994. The date for payment of service tax as per the machinery provision i.e., Point of Taxation Rules, 2011 may be 3rd July, 2017 but the said service would be liable to service tax because the charge under section 66B gets attracted for the period June, 2017. Further, as per section 142(11)(b) since the transaction is liable for service tax, then tax would not be payable under the GST laws. Hence, the said amount should be deducted as turnover under this Table for the period April, 2017 to June, 2017.

Query (f)

Service has been provided in the month of May, 17 amounting to Rs.1,00,000/-. Invoice has been raised within 30 days. There was a deficiency in the provision of service. The customer has paid only Rs. 20,000/-. The company has issued credit note amounting to Rs. 80,000/- on 31st March, 2018 and closed the customer's account. Should any amount be reduced for the period April, 2017 to June, 2017. Are any adjustments required to be made for the period July, 2017 to March, 2018?

Reply (f)

As per section 142(2)(b) of the CGST Act, where in pursuance of contract entered into prior to the appointed date, where the price of service is revised downwards after 1st July, 2017 and the provider issues a credit note within 30 days of such price revision, such credit note shall be deemed to have been issued in respect of outward supply, provided the recipient has reduced his input tax credit. Assuming the input tax credit is reduced by the recipient, the credit note shall be reduced from outward supply for the tax period March, 2018. Thus Rs.80,000/- would be reduced from the GST turnover for the period of March, 2018. The said amount of Rs.80,000/- would be reduced from the turnover in the month of March, 2018 because credit note is issued in the month of March, 2018.

Thus, only Rs. 20,000/- is required to be reported in table 5G for the period April, 2017 to June, 2017, though invoice for Rs.1,00,000/- is issued in the month of May, 2017 and service tax is paid on Rs.1,00,000/- in the month of May, 2017.

Conclusion

The taxability of transactions has to be taken into consideration. The applicability of charge and corresponding machinery provisions under the erstwhile laws must be tested/ examined. As a general rule, if the charge attracts or the machinery provisions under the erstwhile laws require payment of tax, then such transactions should be considered for the period April, 2017 to June 2017. The point of taxation under the erstwhile laws may not necessarily flow in accordance with the revenue recognition made for the period April, 2017 to June, 2017. Provisions relating to the erstwhile laws and transition provisions under the GST laws must be read together while computing data under this entry.

Table-5H. Unbilled revenue at the end of Financial Year

5H	Unbilled revenue at the end of Financial Year	(-)	
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Table No.	Instructions
5H	<p>Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

The reader may refer to the discussion in Table-5B of Part II for more details on this.

Table-5I: Unadjusted Advances at the beginning of the Financial Year

5I	Unadjusted Advances at the beginning of the Financial Year	(-)	
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Table No.	Instructions
5I	<p>Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

The reader may refer to the discussion in Table-5C of Part II for more details on this.

Table-5J. Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST

5J	Credit Notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
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Table No.	Instructions
5J	<p>Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under section 34 of the CGST Act shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

1. Introduction

This Table-5J has to be filled up with the information available in the audited Financial Statements whereas such amounts have not been adjusted against the supplies in the GST returns. All the adjustments made to the turnover where there is an effect of reduction due to a credit note issued have to be quantified for the purpose of reconciliation between the books of accounts and the GST returns filed. There could be an adjustment made to the receivable and payable in the books of accounts. Care should be exercised to extract the information of credit note that only calls for reduction of the turnover. Also, a reference to the Accounting Standards issued by ICAI for revenue recognition may be referred to for knowing the information to be filled up in this area.

2. Analysis

All the adjustments made in the books of accounts by way of adjustment in the turnovers by issuing a credit note shall be reckoned for this purpose. All the information in the Credit Note Register without having a GST effect should be collated and provided. Please note that due to “+” sign, credit notes not conforming to section 34 will result in said amount of turnover being liable to output tax by addition to the turnover reported in books compared to that reported in FORM GSTR-9 which is the tax paid turnover.

3. Illustration

- (i) M/s. ABC and Co. supplies goods on credit to the customer Mr. A for Rs. 100,000/- [applicable GST 18%]. Mr. A pays the supply value much before the credit period and in turn requests the supplier to extend a cash discount of 2%. Cash discount extended at 2% shall be a non-GST credit note which should be considered for disclosure in Part II at Table 5J.
- (ii) Mr. A has supplied goods for Rs. 20,000/- [applicable GST 12%] along with transport charges for Rs. 2,000/- to M/s. ABC and Co., On receipt of the goods, the customer complains that the goods are damaged. Mr. A extends a discount of Rs. 2,500/- to the customer and issues a credit note without giving effect to the GST for the damage. This adjustment to the amount receivable from the customer shall be accommodated by way of a credit note and the same shall call for adjustment to the turnovers.

4. Notes to consider

- Segregation of adjustments to turnover on account of credit note with GST and without GST has to be done carefully and dealt with appropriately as discussed in the above illustrations.
- GST credit note subsequently amended as Financial credit note.
- Any adjustment on account of reduction in receivable not being adjusted to the turnover should not be considered for reconciliation.
- Please also refer to detailed discussion on credit notes in the context of Table-5F.

5. Auditors Disclosure

Auditor has to disclose the practice adopted for collating relevant information from the books of accounts and the basis for determining the adjustments eligible for reconciliation purposes. Reference to the accounting standard issued by the ICAI has to be made and indicated whether the registered person has adopted or not.

Table-5K. Adjustments on account of supply of goods by SEZ units to DTA Units

5K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
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Table No.	Instructions
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here. For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.

Introduction

Aggregate value of all the goods supplied by SEZs to DTA units for which the DTA units have filed the bill of entry shall be declared here.

Analysis

Such outward supplies are not required to be reported by SEZ units in their GST Returns and hence the data cannot be retrieved from the returns filed by such SEZ units.

SEZ units are required to maintain records of the assets/ goods admitted into the SEZ unit and also the details of disposal of such goods. Such records can assist an auditor in identifying the outward supply made by the SEZ unit. Additionally, disposal of capital goods would be disclosed as deletion in the fixed asset registers.

Illustration

- (a) XYZ Ltd., a SEZ unit, supplied goods to a DTA unit and the relevant bill of entry is filed by the DTA unit.

This transaction would be an outward supply or 'sale' for the purpose of financial statements of the SEZ unit but would not be considered as supply for GST purposes and hence needs to be deducted from the turnovers of financial statements for the purpose of arriving at the turnover as per FORM GSTR-9. In respect of the inward supply in the hands of the DTA, this transaction would be treated as import of goods.

- (b) XYZ Ltd., a SEZ unit, supplied goods to a DTA unit and the bill of entry was filed by the SEZ unit based on authorization by the DTA unit.

This transaction would be outward supply or 'sale' for the purpose of financial statements of the SEZ unit and inward supply for GST purposes. Accordingly, it would not require any disclosure in the aforementioned Table.

Notes to consider

The following are the control checks that an auditor may undertake to check the validation of the turnovers reported under this head:

- Whether the SEZ unit also has units outside the SEZ area, and whether the entity was required to obtain two registrations—one for SEZ and other for non-SEZ;

- Check the treatment of transactions which involve transfer of goods from SEZ to non-SEZ. It has to be treated as transaction with the third party.

Table 5L. Turnover for the period under composition scheme

5L	Turnover for the period under composition scheme	(-)	
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Table No.	Instructions
5L	<p>There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

Introduction

There may be cases where registered persons might have opted out of the composition scheme during the year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared under this Table-5L.

A person registered under the composition scheme who has opted out of the scheme should file both FORM GSTR-9 and FORM GSTR-9A. An auditor may note that even a person violating the conditions stipulated in section 10 of the CGST Act or Rule 5 of the CGST Rules or *Notification No. 8/2017-C.T., dated 27-6-2017* would stand to exit the scheme. In such cases, the composition person should file FORM GST COMP-4 and opt out of the scheme.

Analysis

Information reported here must flow from FORM GSTR-4. As such, the working notes for the preparation of FORM GSTR-9C would involve summation of data from FORM GSTR-4 filed for April till the date of opting out of the Composition scheme reported during the financial year. Information for Table No.5L of FORM GSTR-9C would include modifications and corrections made during the year 2017-18 till the date the person opts out of the composition scheme.

It is suggested that the following reconciliations be carried out for reporting correct values:

- values as declared in the bill of supply and those declared in the books of accounts;

- (b) values declared as revenue in the books of accounts and in FORM GSTR-4;
- (c) values of advances declared in the books of accounts and values as advances declared in FORM GSTR-4.

The turnovers that are to be reported can be directly derived from the Tables of FORM GSTR-4. The various components of this Table-5L would be as follows-

Category of supply	Relevant Table of FORM GSTR-4
Taxable outward	Table-6
Advances received	Table-6
Returns	Table-6
Exempted supplies of manufacturers and service providers	Table-6
Amendments to turnover reported in subsequent FORM GSTR-4	Table-7
Exempted supplies of traders	To be extracted from the books of accounts

Revision required, if any

During the course of preparation of FORM GSTR-9C, if any outward supply is omitted in any FORM GSTR-4 pertaining to the financial year, as aforesaid, a revision is warranted. Revision in the information cannot be passed through FORM GSTR-4 as the taxable person has opted out of the composition scheme. Besides above, revisions are related to the composition turnover hence should not be reported in FORM GSTR-1 and FORM GSTR-3B. However, the same has to be communicated by filing Form GST DRC 03, where the tax is paid along with interest.

Illustration

Advance received during the composition scheme, but supplies effected after opting out.

Time of supply for the composition scheme includes advance received on supply of goods but under the regular scheme advance received is excluded from time of supply. e.g., advance received Rs. 50,000/- under the composition scheme and tax paid on advance @ 1% i.e., Rs. 500/- whereas the supply was made after he exits the composition scheme aggregates Rs. 1,00,000/-

In terms of section 12 of the CGST Act to the extent of the advance of Rs. 50,000/- supply is deemed to have been already effected. Hence, tax under the composition scheme is required to be paid only on Rs. 50,000/- and the balance of Rs. 50,000/- would be subject to tax at the applicable rates of a normal supply.

Notes to consider

A few control checks that an auditor should perform for validation-

- The outward supplies register should be used as the basis for validating the turnovers disclosed in the GST returns.
- In case of any valuation differences between the books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented.
- Turnovers covered under the composition scheme alone should be reported under this Table, including advance, exempt supplies, and all such amounts should be net of returns and refunds.
- Transactions relating to the outward supply of assets should be carefully verified from the perspective of reporting, as it is a Balance Sheet item, and the valuation exercise needs to be carried out separately as per section 18(6) of the CGST Act.
- Check all advances received during the migration period and the effect given.
- Cut-off date and transaction taken place during cut-off date should be verified.

Conclusion

Therefore, Table-5L of FORM GSTR-9C should match with the turnover declared in Table-6C of FORM GSTR-9A, which is the sum of Table 6 and 7 of FORM GSTR-4 of the relevant period.

Table-5M. Adjustments in turnover under section 15 and rules thereunder

5M	Adjustments in turnover under section 15 and rules thereunder	(+/-)	
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Table No.	Instructions
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (FORM GSTR-9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here. For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.

Introduction

In terms of section 9 of the CGST Act, GST is applicable on supplies of goods or services on the value of supply as determined under section 15. Section 15 provides that the transaction

value (value at which the supply has been transacted) would be the basis for the computation of tax when two conditions are satisfied-

- (1) The price actually paid or payable should be the sole consideration for the supply; and
- (2) The supplier and the recipient are not related.

Even if the price for a supply is agreed to be the transaction value, few adjustments (provided for under section 15 itself) are required to be carried out to such price for the purpose of the computation of value on which GST is required to be paid.

Analysis

To fulfil the requirements for this Table the auditor may obtain, among others, the following documents-

- (1) Vendor contracts to understand the expectations from the supplier. Any free supplies by a recipient which was the responsibility of supplier would be required to be added to the turnover of supplier;
- (2) Identify reasons for the issuance of credit notes and check for corroborative evidence in case the values are high;
- (3) Outward supply invoices issued to customers;
- (4) Customer ledger statement to identify various debits and credits and reasons for the same;
- (5) Contracts for pure agency; and
- (6) List of related parties and details of transactions with them.

Illustrations

Various adjustments that need to be carried out and their implications for the required reconciliation have been tabulated below-

Adjustment	Explanation	Illustration
Add: Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services tax Act, the Union Territory Goods and Services tax Act and the Goods and Services tax (Compensation to States) Act, if charged separately by the	This provision provides for the exclusion of GST from the value and, therefore, all other taxes charged must be included in the value before quantifying GST. Taxes other than the GST would cause cascading and this is deliberate.	In an industrial park, the maintenance company is required to provide power back up by generating power using DG Sets. On captive generation of power, CEIG tax is required to be paid to the local Electricity Board in certain States.

supplier.		<p>Treatment in Books CEIG tax is debited to the expense account and recoveries are credited to the same account.</p> <p>Treatment under GST CEIG tax is required to be added to the maintenance income for computation of the GST.</p>
<p>Add: Any amount that the supplier is liable to pay in relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both.</p>	<p>This provision requires computation of values that are directly paid by the recipient although the supplier is required to incur such costs typically, cases—Free of Cost Supplies.</p>	<p>In the case of construction contracts the contractor was given a contract for construction of a building and was responsible for the procurement of all the materials required for such construction. However, the developer issues cement free of cost to this contractor.</p> <p>Treatment in Books Contractor— No Entry. Developer—Procurement of cement would be treated as inward supply of cement and cement to the contractor would form a part of the cost of goods supplied.</p> <p>Treatment for GST Contractor—Add the value of cement so received for the computation of GST. Developer—Consider the supply of cement as outward supply. The contractor's invoice (including cement) is expense for construction.</p>

<p>Add: Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services.</p>	<p>Costs that the supplier incurs 'at' the time of or 'before' supply is liable to be included in the value of supply.</p>	<p>Supply of water by maintenance company to industrial parks.</p> <p>Treatment in Books</p> <p>Charges paid to the vendor who gets the water in tanker is debited to expense account and the amount recovered from the Industrial Park/ individual companies is credited to such expense account.</p> <p>Treatment for GST</p> <p>Such recovery is required to be included in the value of supply and tax computed on the same.</p>
<p>Add: Interest or late fee or penalty for delayed payment of any consideration for any supply.</p>	<p>Amounts charged for delay in the remittance of consideration would be considered as value of supply and tax payable on the same. Though it could be argued that these are not supplies but financial transactions.</p>	<p>These charges are generally recorded as other incomes and may not require any reconciliation.</p>
<p>Add: Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Subsidy is any form of 'intervention' that lowers the transacted-price of a supply. Also, 'grant-with-condition' can be consideration for supply.</p>	<p>This provision expressly provides for the limited exclusion of subsidy from the value of supply, that is, subsidy given by the Government alone is excluded from the value of supply. This provision makes an interesting requirement that any transaction where there is any form of price-</p>	<p>E-Commerce operator compensating vendors who participate in their shopping festival sales by offering additional discounts. This could be in the form of reduction in the regular sales by the ecommerce operator through the issuance of a financial credit note.</p>

	intervention that behaves like a 'subsidy' is liable to be included in the value of supply.	
Less: Before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply.	'In-bill' discounts – are those that are allowed exactly at the point of supply so as to reduce the published product price as a result of negotiations. 'In-bill' discounts are admissible as the reduction in arriving at the transaction value.	This would not lead to any reconciliation if the "in-bill" discounts are reduced from the value of sales accounted at the time of recording the transaction in the books of accounts else the value of discount offered would have to be reduced from the turnover as per books to arrive at the turnover for the purposes of GST.
Less: After the supply has been effected, if— (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.	'Off-bill' discounts – are those that are allowed after supply through a credit note. For such 'off-bill' discounts to qualify as the reduction from the transaction value adherence to the conditions specified in section 15(3) are sufficient.	Off bill discounts are generally not reduced from sales in the financial records and hence would not have any impact on the reconciliation of turnovers.

In addition to the above, valuation rules also provide instances where the value of a transaction as per the financial records can be significantly different from the value to be considered for discharge of taxes under the GST. A detailed reading of the background material issued by the ICAI would help the reader identify cases where such valuation rules would come into play and any difference between the valuation as per financial records and GST records would have to be reported.

Typically, reasons for difference would be the alternate value considered for a transaction for the discharge of GST:

1. Open Market value
2. Value of supply of goods/ services of like kind and quality
3. Cost + 10%
4. In case of sale to a related party which further sells the same product at 90% of the resale price.
5. Any price, so long as the related party/ distinct person can avail credit of the same.

In this context, it would also be relevant to note that Rule 31, Rule 32 and Rule 35 provide for a special mechanism for payment of taxes in certain cases. E.g., an Air Travel Agent is required to discharge GST on 5% of the basic fare at the rate of 18% in case of domestic bookings instead of the commission actually earned by him. The commission earned by him can be more/ less same than the deemed value assigned to the transaction, thereby requiring reconciliation of sales values.

Further, Rule 33 allows for non-inclusion of cost/ expenses incurred by the supplier on behalf of the recipient for the purpose of arriving at the transaction value. These transactions are considered as incurred as a "pure agent". It should be ensured that all the conditions of pure agency are satisfied by the supplier who claims benefit for non-charging of GST on such charges.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head-

- Bad Debts are treated as discounts for the purpose of obtaining tax benefits.
- Review of E-Way Bills- Free supplies can be tracked by verifying the purpose of movement of goods at the time of generation of e-way bills.
- Recoveries are generally netted off and do not appear in the financial records since the closing balance is zero.
- Distinguishing between recovery of expenses and reimbursement of expenses which can be treated as incurred as pure agent.
- Detailed review of transactions pertaining to related parties.
- Further, FORM GSTR-9 cannot be prepared based on sample verification. No such exclusion is permissible here. Completeness must be ensured for compiling of information as preparation of FORM GSTR-9 is the duty of the registered person.

- Information reported in FORM GSTR-1 does not need to be re-examined while preparing FORM GSTR-9. Exercise involved is to compile the information to identify completeness of the information extracted from FORM GSTR-1 as declared in 2017-18 and 2018-19 (up to dates permitted and as stated above).
- Revision in the information from B2C to B2B and *vice versa* must also be revised in FORM GSTR-1 and then compiled in 4A of FORM GSTR-9.

Conclusion

There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act and rules thereunder. Therefore, any difference between the turnover reported in the annual return (FORM GSTR-9) and turnover reported in the audited annual financial statement due to differences in the valuation of supplies shall be declared here.

Table-5N. Adjustments in turnover due to foreign exchange fluctuations

5N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	
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Table No.	Instructions
5N	<p>Any difference between the turnover reported in the Annual Return (FORM GSTR-9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20 the registered person shall have an option not to fill this Table. If there are any adjustments required to be reported then the same may be reported in Table-5O.</p>

Introduction

Forex transactions are accounted in the books of accounts based on AS 11 "Effects of Changes in Foreign Exchange Rates" / Ind AS 21 "The Effects of Changes in Foreign Exchange Rates" whereas Rule 34 of the CGST Rules require-

- (1) The value of taxable goods to be determined on the basis of the exchange rate notified under section 14 of the Customs Act, 1962.
- (2) The value of taxable services is to be determined on the basis of the applicable rate of exchange determined as per generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the CGST Act.

Since the exchange rates applied to forex amounts for accounting purposes are different from the exchange rates applied for determining the value of taxable goods

and services, there could be a difference between the turnover recorded in the books when compared with the turnover declared for the purpose of GST returns.

Analysis

➤ *Source of information*

Export of goods are stated in Table 6 of FORM GSTR-1 and its amendment are given effect in Table 9 of the FORM GSTR-1 and at Table 3.1(b) in FORM GSTR-3B. The forex gain/ loss arising due to the difference in the amount booked in accounts and actual amount received forms part of the Profit and Loss Account.

➤ *Validation of information*

The “Activities in Foreign Currency” are reported as part of the notes of accounts to the financial statements of companies.

➤ *Revision required*

Foreign exchange fluctuation is purely an accounting concept and does not form part of the GST returns and hence revision of return is not required.

➤ *Illustration*

- (a) PQR Ltd. has exported goods to a company located in USA. The value of goods is \$100,000. The exchange rate (Rs./ \$) on the date of filing shipping bill is-

CBIC Notified rate	RBI Reference rate
Rs. 65	Rs. 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 70.

Solution: For the purpose of GST returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be reduced from the annual turnover as per the financials to arrive at the revenue as per FORM GSTR-9.

Additionally, difference in the amount booked in the accounts and actual amount received being Rs. 70 – Rs. 68 = Rs. 2 x \$1,00,000 = Rs. 2,00,000 would be credited to the Profit and Loss Account as Forex Gain which again needs to be reduced from the Annual turnover as per the financials to arrive at the revenue as per FORM GSTR-9.

- (b) PQR Ltd. has exported goods to a company located in USA. The value of goods is \$1,00,000. The exchange rate (Rs. / \$) on the date of filing Shipping Bill is-

CBIC Notified rate	RBI Reference rate
Rs. 65	Rs. 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 66.

Solution: For the purpose of GST returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be reduced from the annual turnover as per the financials to arrive at the revenue as per FORM GSTR-9.

Additionally, the difference in the amount booked in the accounts and actual amount received being Rs. 66 – Rs. 68 = (-) Rs. 2 x \$1,00,000 = (-) Rs. 2,00,000 would be debited to the Profit and Loss Account as forex loss which again needs to be added in the annual turnover as per the financials to arrive at the revenue as per FORM GSTR-9.

Notes to Consider

FORM GSTR-9C should contain notes disclosing the limitations inherent in this exercise:

Conclusion:

This Table would enable the reconciliation relating to foreign exchange differences between the value adopted for accounting in the financials vis-à-vis the value adopted for the payment of GST.

Table-50. Adjustments in turnover due to reasons not listed above

50	Adjustments in turnover due to reasons not listed above	(+/-)	
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Instructions
Any difference between the turnover reported in the Annual Return (FORM GSTR-9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.

Introduction

Table 50 is a residuary Table which requires disclosure of reconciliation details relating to adjustments for which specific column is not provided under any other sub-Table under Table No.5 of Part-II. This Table may contain an option to insert multiple line items to add/reduce the amount from the gross turnover declared in the audited annual financial statements so as to reconcile the same with the turnover declared in FORM GSTR-9.

Analysis

The following broad head of adjustments can be reported under this Table-

- (a) Turnover considered as 'supply' under GST but not considered as income in the audited annual financial statements.
- (b) Turnover discovered as 'supply' during the course of audit, but not considered in the books of accounts and in FORM GSTR-9.
- (c) The registered person has an option not to fill the adjustment entries given in Table 5B to 5N and the same may be reported in Table-5O. However, it is recommended to provide the detailed break-up of the values reported in Table 5O for better clarity.

Turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements.

There could be instances where the transaction undertaken by the taxable person satisfies the definition of 'supply' but is not recognized as income in the books of accounts. Further, in certain cases, the transaction though considered 'supply' under the GST, may not be disclosed as turnover in the books of accounts as it would lead to the inflation of turnover, leading to incorrect figures. The following illustrations would help in understanding the adjustments which can be done under this Table-

- (1) *Physician sample distributed by a pharmaceutical company to a physician for free*

Normally the samples are distributed free of cost to physicians and the cost of such samples is charged as expense to the Profit and Loss account. However, if it can be established that there is a non-monetary consideration flowing to the pharmaceutical company, then the samples distributed would be liable to GST. Since the transaction would not be reported as turnover/ income in the audited annual financial statements and disclosed as taxable supply in FORM GSTR-9, such turnover has to be added to the gross turnover as declared in the audited annual financial statement so as to reconcile with the turnover declared in FORM GSTR-9.

Data for such transactions can be ascertained from inventory records as well as expenses in the marketing/ sales promotion ledgers.

- (2) *Notice pay recovered from employees*

If the taxable person has considered the notice pay recovered from employees as a taxable supply but has not disclosed the amount as income in the Profit and Loss account, it would be reported under this Table and added to the gross turnover as per the audited annual financial statement.

Data for such recoveries can be ascertained from credits in the salary/ wage's ledger maintained in the books of accounts.

(3) *Gifts given to customers/ vendors/ distributors*

If it is established that there is a non-monetary consideration flowing to the taxable person distributing the gifts, such transactions would be liable to GST. The gifts purchased and distributed by the taxable person are normally charged as expense in the Profit and Loss account. However, if the taxable person has disclosed the same in FORM GSTR-9, then adjustment has to be made in this Table to add it to the gross turnover declared under the audited annual financial statement for reconciling with turnover in FORM GSTR-9.

Data for such transactions can be ascertained from inventory records as well as expenses in the marketing/ sales promotion ledgers.

(4) *Stocks issued to discharge CSR obligations*

Where the taxable person has considered stocks issued for discharge of CSR obligation as taxable supply, then the amount of such taxable value has to be added under this Table to reconcile with the turnover declared in FORM GSTR-9.

Data for such transactions can be ascertained from inventory records as well as expenses in the CSR expenditure ledger.

(5) *Incentives/ rebate received from supplier and considered as supply under GST*

Incentives/ rebate received from the supplier could amount to taxable supply under the GST. Where the taxable person has reduced the incentive/ rebate received from the cost of purchase in the books of accounts, the said amount would be added under this Table so as to reconcile with value declared in FORM GSTR-9.

Data for such transactions can be ascertained from credit entries in the purchase ledgers.

(6) *Sales promotion/ advertisement reimbursement received and considered as supply*

Taxable persons may receive a portion of the advertisement cost/ sales promotion expenses as reimbursement from the supplier. Such reimbursements received could be considered a taxable supply from the taxable person to the supplier and accordingly could be liable to GST. Such reimbursements received are normally deducted from the advertisement/ sales promotion expenses in the profit and loss account. In such a situation, the amount of reimbursement received is to be added to the gross turnover declared in the audited annual financial statements.

Data for such transactions can be ascertained from credit entries in the sales promotion/ marketing expense ledgers.

(7) *Out of pocket expenses considered in the value of supply*

Where the taxable person has received some out-of-pocket expenses and has considered the same as the value of supply of goods & /or services, such amount

should be added under this Table to reconcile with the amount disclosed in FORM GSTR-9. This is on the presumption that the out-of-pocket expenses received have not been considered income in the profit and loss account.

Data for such transactions can be ascertained from credit entries in the expense ledgers.

(8) *Sale of capital goods*

In respect of sale of capital goods, only the profit/ loss arising on the sale of such capital goods is disclosed in the profit and loss account. However, the GST on the supply of capital goods is leviable on the transaction value or input tax credit is reversed as per the formula prescribed in section 18(6) of the CGST Act. In order to reconcile the difference, the profit/ loss arising from the sale of such capital goods has to be deducted from the gross turnover of the audited annual financial statements and the value on which GST has been paid has to be added under this Table to reconcile with the amount disclosed in FORM GSTR-9.

Data for such transactions can be ascertained from deletions disclosed in the Fixed Asset Schedule.

(9) *Inward supply returns considered as outward supply*

Taxable persons may have adopted the practice of raising a tax invoice for the purpose of inward supply returns. However, for the purpose of accounts, the same would be considered inward supply return and reduced from the total purchase value instead of disclosing as revenue in books of accounts. In such a situation, the aggregate value of inward supply returns which have been considered outward supply under the GST have to be added to the gross turnover as per the audited annual financial statements to reconcile with the amount disclosed in FORM GSTR-9.

Data for such transactions can be ascertained from credit entries in the purchase ledgers.

(10) *Outward supply returns considered as inward supply*

Where taxable persons have adopted the practice of treating outward supply returns as inward supply but have reduced such outward supply return from the revenue, then the aggregate value of such turnover has to be reduced from the gross turnover declared in the audited annual financial statements to reconcile with the turnover declared in FORM GSTR-9.

Data for such transactions can be ascertained from credit entries in the sales ledgers.

(11) *Sales return relating to sales made for the period prior to July 2017– (Relevant for FY 2017–18)*

As per section 142(1) of the CGST Act, in respect of goods on which duty/ tax had been paid under the existing law, but were returned on or after 1st July, 2017, the taxable

person was entitled to claim refund of the tax paid under the existing law, but the person to whom the goods were supplied was not registered. In such a situation the sales return would not have been disclosed in the GST returns. However, the sales return would have been deducted from the revenue in the books of accounts. Therefore, the value of such sales return should be added to the gross turnover declared in the audited annual financial statements. In respect of goods returned by a customer who was registered, as per section 142(1), the customer should raise tax invoice and return the goods. In such a situation, the discussion at SI No. (10) above would be applicable.

Data for such transactions can be ascertained from credit entries in the sales ledgers.

(12) *Income in profit and loss account recognized based on special circumstances*

In respect of taxable persons engaged in construction services, the revenue in profit and loss account is recognized based on percentage of completion method, and the turnover under the GST would be based on the advances received towards such construction services. In such a situation, the turnover recognized in the profit and loss account should be reduced and the value of advances on which GST is paid has to be added to reconcile with the turnover declared in FORM GSTR-9.

Data for such transactions can be ascertained from the amount disclosed in the profit and loss Account and the notes to accounts forming part of the audited annual financial statements.

(13) *Inputs and capital goods sent to job worker but not returned within the prescribed period of one year or three years, respectively*

As per section 143(3) and 143(4) of the CGST Act, where inputs and capital goods are sent to a job worker and are not received back within the prescribed period of one year or three years respectively, it would be deemed to be a supply as on the date on which such goods were sent to the job worker. However, such supply may not be treated as income in the audited annual financial statements. In such a situation, the value on which GST is paid on the goods sent to the job worker is liable to be added under this point.

Data for such transactions can be ascertained from the inventory records and FORM GST ITC-04.

(14) *Goods sent on approval basis, but not approved and received back within the prescribed period.*

Goods supplied on approval basis, but not approved within a period of six months from the date of goods sent, is deemed to be supply under the GST. Where the taxable person has disclosed such supply in FORM GSTR-9, but not considered as income in audited annual financial statements, adjustment should be made under this Table.

Data for such transaction can be ascertained from the inventory records, delivery challans and e-way bills raised.

(15) *Other situations*

Invoice for taxable turnover of Rs. 50,000/- has not been considered in FORM GSTR-3B, FORM GSTR-1 and FORM GSTR-9. However, such invoice has been considered in the audited annual financial statements. In such a situation, the invoice of Rs. 50,000/- should not be reduced as an adjustment under this Table. This unreconciled difference should appear in Table 5R and suitable explanation should be provided in Table 6 of FORM GSTR-9C and offered for tax in Table 11 of FORM GSTR-9C.

It may be noted that the above transactions are only inclusive and illustrative.

Turnover discovered as 'supply' during the course of audit, but not considered either in books of account and in FORM GSTR-9

In respect of transactions which are neither reported in the audited annual financial statements nor in FORM GSTR-9 but are considered 'supply' by the auditor, have to be reported under this Table. This is for the reason that any adjustment made under this Table would be reflected in Table-5P and subsequently in Table- 7A. An illustrative list of transactions which could be reported under this Table is provided below -

- (1) Physician samples issued to doctors.
- (2) Notice pay recovered from employees.
- (3) Stocks issued for CSR obligations.
- (4) Gifts given to customers/ vendors/ distributors.
- (5) Costs incurred on account of other branches/ other entities omitted to be cross charged.
- (6) Goods sent on approval basis but not approved and received back within the period of 6 months from the date of goods being sent.

Amounts not disclosed in the audited Annual Financial Statements and in FORM GSTR-9.

Where any transaction has not been reported in the audited annual financial statements and also in FORM GSTR-9, it has to be disclosed in Table 5O and Table 6 of FORM GSTR-9C. It is relevant to note that the auditor's role is not to carry out an investigation to find all the transactions which should have been considered as turnover but not have been reported in FORM GSTR-9. The requirement in Table 5 of FORM GSTR-9C is to reconcile turnover which has either been reported in FORM GSTR-9 or the audited annual financial statements. However, in case of any transaction that is apparently visible, the auditor is required to disclose the same in Table 5O and explain the same in Table 6 of FORM GSTR-9C.

➤ *Source of information*

All the information reported here can flow from the profit and loss account, Notes forming part of the audited annual financial statements, Fixed Asset Schedule, credit entries in expenses ledgers, inventory records and FORM GST ITC-04.

Notes to consider:

The following are the control checks that a person should perform for validation of the amounts reported under this head-

- Only adjustments permitted under the framework of the law should be adjusted under this Table.
- All transactions which have an implication under GST, but not considered as income in the audited annual financial statements, should be added under this Table. This is for the reason that any adjustment made in this Table, would be reflected in Table 5P and subsequently in Table 7A.
- Only those adjustments which are permissible under the framework of law should be considered here. In other words, adjustments should not be made under this Table merely to bring Table 5R to 'Nil'.
- Nil rated supply, non-GST supply and exempt supply should not be reduced as an adjustment under this Table.

Conclusion

Table 5O is an important Table and due attention has to be paid for the adjustments made under this Table. This would be a key area for scrutiny by the department during audit and assessment. Adjustments under this Table merely for the purpose of reconciling turnover of audited annual financial statements with turnover declared in FORM GSTR-9 should not be made. An inclusive list is as under -

SI No.	Particulars	Action	Amount
1	Samples distributed by the pharmaceutical company to physician for free.	(+)	
2	Notice pay recovered from employees.	(+)	
3	Gifts given to customers/ vendors/ distributors.	(+)	
4	Stocks issued to discharge CSR obligation.	(+)	
5	Incentives/ rebate received and considered as supply under GST.	(+)	
6	Sales promotion/ advertisement reimbursement received and considered as supply.	(+)	

7	Out of pocket expenses considered in the value of supply.	(+)	
8	Value on which GST paid on sale of capital goods.	(+)	
9	Profit on the sale of capital goods disclosed in the audited annual financial statements.	(-)	
10	Loss on the sale of capital goods disclosed in the audited annual financial statements.	(+)	
11	Inward supply returns considered as outward supply.	(+)	
12	Outward supply returns considered as inward supply.	(-)	
13	Income in profit and loss account recognized based on special circumstances.	(-)	
14	Value on which GST is liable to be paid in respect of transactions where income is recognized based on special circumstances.	(+)	
15	Discounts which are not to be excluded from the value of supply as per section 15.	(+)	
16	Any other amount.	(+) / (-)	

Table-5P: Annual turnover after adjustments as above

5P	Annual turnover after adjustments as above	<Auto>
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Introduction

The reconciliation statement in Table 5P is auto populated and based on the values declared against Table 5B to 5O.

Analysis

The notified format provides for various adjustments to the revenue declared in the audited financial statements to arrive at the turnover under the provisions of the GST laws. The result of all such adjustments to the revenue as per the audited annual financial statements is termed 'Annual turnover after adjustments as above', which would be auto populated in accordance with the pre-determined formula viz., revenue as per the audited annual financial statements add/ less various adjustments to be declared against Table 5B to 5O. The turnover arrived at this Table shall comprise the following:

- (a) Taxable turnover of outward supply of goods and/ or services;
- (b) Exempt turnover of outward supply of goods and/ or services;
- (c) Non-GST outward supplies turnover;

- (d) Exports of goods and/ or services turnover;
- (e) Outward supplies liable to GST under reverse charge mechanism.

Notes to consider

Since Table-5P is auto-populated common errors enumerated under Table 5A to 5O would be relevant.

Conclusion

The auto-populated turnover arrived at Table-5P should ideally be the turnover to be declared in Table-5Q if the turnover is reckoned in terms of the provisions of the GST law and is declared appropriately in the outward supply statement in FORM GSTR-1 and annual return in FORM GSTR-9. In the event of any difference, the same should be reconciled and the reasons should be mentioned in Table-6 of Part-II.

Table 5Q: Turnover as declared in Annual Return (FORM GSTR-9)

5Q	Turnover as declared in Annual Return (FORM GSTR-9)	
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Table No.	Instructions
5Q	Annual turnover as declared in the Annual Return (FORM GSTR-9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (FORM GSTR-9).

Introduction

Table 5Q requires a taxable person to disclose his turnover as per the annual return (FORM GSTR-9) filed for the relevant financial year. Therefore, the turnover arrived at Table-5N as per the annual return (FORM GSTR-9) should be declared under Table-5Q. Accordingly, the annual return (FORM GSTR-9) should be filed along with or before filing the reconciliation statement in FORM GSTR-9C.

Analysis

➤ Source of information

The turnover arrived at in Table-5P of FORM GSTR-9C as stated earlier, should match with the turnover as declared in the annual return if the turnover is reckoned appropriately as per the GST law and declared in the returns filed in FORM GSTR-3B and the annual return in FORM GSTR-9. The turnover as arrived at in Table 5N of the annual return in FORM GSTR-9 shall be the turnover to be declared against Table 5Q of Form GSTR 9C.

➤ *Validation of information*

The turnover as arrived at in Table 5N of the annual return in FORM GSTR-9 would comprise the sum of the following and accordingly, the source information may be validated by adopting the appropriate audit techniques:

- (i) Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table 4 of FORM GSTR-9)
 - (a) Supplies made to un-registered persons (B2C);
 - (b) Supplies made to registered persons (B2B);
 - (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ);
 - (d) Supplies to SEZ on payment of tax;
 - (e) Deemed exports;
 - (f) Advances on which tax has been paid but invoice has not been issued.

The above shall be adjusted by the value of:

- (a) *Credit notes and debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in FORM GSTR-9/ and annual return in FORM GSTR-9C;*
 - (b) *Supplies declared or reduced through amendments.*
- (ii) Details of outward supplies on which tax is not payable as declared in returns filed during the financial year (as per Table 5 of FORM GSTR-9)
 - (a) Zero-rated supply (export) without payment of tax;
 - (b) Supply to SEZ without payment of tax;
 - (c) Supplies on which tax is to be paid by the recipient on reverse charge basis;
 - (d) Exempted supplies (excluding nil-rated and non-GST supply);
 - (e) Nil-rated supplies;
 - (f) Non-GST supplies.

The above shall be adjusted by the value of:

- (c) *Credit notes and debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in FORM GSTR-9/ and annual return in FORM GSTR-9C;*
- (d) *Supplies declared or reduced through amendments.*

The aggregate of the turnovers declared under (i) and (ii) sums up the entire gamut of outward supplies affected by a taxable person under the GST regime. It is important to note that the sum determined above shall not include inward supplies liable to tax under reverse charge basis. In other words, this amount may be regarded as the “turnover in State” or “turnover in Union territory” as defined in section 2(112) of the CGST Act/ SGST Act/ UTGST Act.

Notes to consider

The turnover as declared in the monthly return in FORM GSTR-1 by virtue of which the same is declared in the annual return in FORM GSTR-9 may not include all the taxable outward supplies on account of omissions or errors. Such differences in the turnover should not be adjusted under Table No.5O for the purpose of matching the turnover between the annual return and the audited annual financial statements. The turnover as arrived in Table No.5N of the annual return in FORM GSTR-9 shall be declared against Table No. 5Q of FORM GSTR-9C. The differences in turnover as per the audited annual financial statement and the turnover as per the annual return in FORM GSTR-9 should be reconciled and the reasons thereof should be mentioned in Table 6 of Part-II.

Additional notes to consider

The annual return in FORM GSTR-9 would be furnished by a taxable person. Therefore, the turnover, taxes paid/ payable, input tax credit etc., as declared therein should be validated with the returns filed in FORM GSTR-3B and other statements like FORM GSTR-1, FORM GSTR-2 (if filed), etc.

Table-5R: Un-reconciled turnover (Q-P)

5R	Un-Reconciled turnover (Q - P)	AT1
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Introduction

The un-reconciled turnover in Table No. 5R is the difference between the ‘Annual turnover after adjustments as above’ Table No. 5P from ‘turnover as declared in the annual returns in FORM GSTR-9’ as declared at in Table No.5Q. The difference would be auto generated.

Analysis

➤ Source of information

This is the auto generated value.

➤ Validation of information

The value of supplies either taxable, exempted or non-GST outward supplies not declared in the monthly returns and annual returns would form part of the auto-generated value in Table 5R. The reasons for such un-reconciled turnover should be given under Table 6 of Part-II of

the reconciliation statement in FORM GSTR-9C. This could lead to any one of the following two situations-

(i) **The 'Annual turnover after adjustments as above' at in Table 5P is higher than the 'turnover as declared in the Annual Return in FORM GSTR-9' at Table 5Q**

This situation arises if a taxable person has not declared some taxable outward supplies, exempted supplies and non-GST outward supplies. The value of taxable supplies forming part of the differences should be declared under Table-11 of Part III and the applicable taxes thereon shall be paid appropriately by cash. The differences in exempt supplies and non-GST outward supplies shall be declared against Tables 7B or 7C of Part II as the case may be and reduction from the total turnover may be sought.

(ii) **The 'Annual turnover after adjustments as above' in Table 5P is lower than the 'turnover as declared in the Annual Return in FORM GSTR-9' at Table 5Q:** This situation may arise if a taxable person has erroneously declared a higher turnover in the monthly return in FORM GSTR-3B and the annual return in FORM GSTR-9. The reconciliation statement in FORM GSTR-9C does not specifically provide to claim the benefit of tax paid erroneously. The statement which would be made available on the GST portal should be checked to verify whether the taxable value at Table-11 may be declared in the negative so that refund of tax remitted on such turnover can be claimed. Clarification on this issue is awaited.

Notes to consider

- (i) The turnover arrived at in Table-5P may be higher than the turnover as per the annual return to be declared at Table-5Q on account of not declaring certain turnovers which could be either taxable outward supplies, exempted outward supplies or non-GST outward supplies in the monthly returns and annual returns. If certain taxable outward supplies are not declared in the monthly/ annual returns and exempted supply/ non-GST outward supplies are declared appropriately in the monthly return and annual return, the un-reconciled turnover arrived at Table 5R of Part II should match with the un-reconciled taxable turnover arrived at Table-7G of Part II.
- (ii) If the taxable person has not declared the exempt supplies and non-GST outward supplies in the monthly/ annual return, the un-reconciled turnover at Table 7G of Part II should be lower than the un-reconciled turnover arrived at in Table 5R of Part II to the extent of the value of exempt supply and non-GST outward supply not declared in the relevant return. This check would also hold good where the zero-rated supply and supply liable to tax under reverse charge mechanism is not declared in the relevant return.

Table 6: Reasons for Un-Reconciled difference in Annual Gross Turnover

6	Reasons for Un-Reconciled difference in Annual Gross Turnover	
6A	Reason 1	<<Text>>
6B	Reason 2	<<Text>>
6C	Reason 3	<<Text>>

Table No.	Instructions
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (FORM GSTR-9) shall be specified here.

1. Introduction

This portion of FORM GSTR-9C identifies the turnover differences to be placed on record for explaining the differences between the GST returns and the audited financials. All the information filled up in the GST returns has to be flown from the books of accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the registered person on special approval basis, which are not reconciled at a turnover level should be disclosed in this Table.

For instance, the mechanism for the determination of revenue in case of sale of a capital asset shall differ for the value to be disclosed in the GST returns compared with that of the practice adopted in the book of accounts.

2. Analysis

➤ *Source of information*

The data which has to be filled up in this Table is a conclusion drawn up on account of a reconciliation for the turnover as per the books of accounts compared with the annual return.

Further, review of the transactions effected through the E-way bills gives the exceptional transactions, if any, to be reported through the above reconciliation.

➤ *Relevant document/ books/ records*

Examine the turnover available as per the audited financial statements with that of the annual turnover determined as per FORM GSTR-9. Information available in notes to accounts as per the audited financial statements gives the additional information for the exceptions, if any, to the regular practice of maintenance of the books of accounts.

➤ *Validation of information*

Information has to be compared on equitable basis for clarity on what is to be compared as turnover considered in the financial statements with that of the turnover compared in the GST returns. For instance, turnover on the sale of fixed assets should be considered for the whole consideration value in the GST returns. However, only profit/loss on such sale shall be considered in the books of accounts. For having an equitable basis for both the turnovers, we need to gross up the profit/ loss in the books of accounts for a matching comparison with the GST returns.

3. Illustrations

The following illustrations can be considered for reporting the reconciliation differences:

- Capital gain/ loss on sale of a fixed asset recorded in the books for turnover purpose compared with the total consideration available in GST returns.
- Government grant received on account of capital/ revenue commitment needs a special disclosure in the books based on the conditions to be complied with. However, disclosure of the total sum in the GST returns in the period of its receipt shall call for the reconciliation as per above.
- Transaction reported in a delivery challan during the financial year for supply on sale on approval basis beyond a period of six months shall be deemed to be a supply under GST. However, that may not be a sale for revenue recognition in the books for such transactions. Assuming GST returns carry the supply details and no revenue recognition has been done in the books of accounts, this shall call for the reconciliation.

4. Notes to consider

Possible errors in the preparation of the above reconciliation are given below:

- Discrepancy on account of transactions recorded on the expense's allocation shall not be cast in this para for the purpose of reconciliation.
- Turnover as per the books is not explained duly for the purpose of this reconciliation. Head of the revenue applicable as per the books may not be the same as per the supply in GST returns filed. Extra caution is required for identification and segregation in this regard.

5. Auditors

➤ *Note*

The auditor shall make a reference to the basis for reconciliation of the turnover related adjustments called for on the basis of the information available in the notes to accounts and any special adjustments caused by reference to other statutory requirements.

➤ *Qualification*

The auditor needs to report whether the books and returns can be compared and quantify the reasons duly justifiable for the discrepancies reported, if any.

➤ *Disclosure*

The auditor should make a disclosure regarding the reasons that come in the way of the reconciliation process or concluded for sake of clarity on taxable nature.

Table 7B. Value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover

7	Reconciliation of Taxable Turnover	
7A	Annual turnover after adjustments (from 5P above).	<Auto>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply Turnover.	

Table No.	Instructions
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (FORM GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments, if any.

Introduction

Table 7B requires reduction of value of exempted, nil rated, non-taxable supplies, no-supply turnover from the annual turnover after adjustments to arrive at taxable turnover. In order to comprehend the scope of this Table, we need to understand the terms “exempted, nil rated, non-taxable supplies, no-supply”. This shall be reported net of credit notes, debit notes and amendments, if any.

Analysis

All the supplies on which tax has not been charged except for exports and reverse charge supplies should be reported under Table 7B. The information can generally be obtained from the credit side of the profit and loss account. In case of a barter transaction, the sale of fixed assets at loss etc. would not appear in the profit and loss account. Therefore, that information shall be obtained from the fixed assets schedule or the stock register. The value of no-supply can be taken as reported in the books.

Validation of information

Table-7B essentially comprises the following 4 classes/ types of supplies-

- (a) Supplies taxable at a 'Nil' rate of tax; please refer to *Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017* contains Sl. No. 16 and 24 where the prescribed rate is 'nil';
- (b) Supplies that are wholly or partially exempted from CGST, SGST or IGST, by way of a notification, E.g.: milk, water, education service, health care services, etc.,
- (c) Non-taxable supplies as defined under section 2(78) of the CGST Act—supplies that are not taxable under the Act (viz. alcoholic liquor for human consumption, petroleum products etc.).
- (d) No supplies include the activities covered under Schedule III which are neither a supply of goods nor a supply of services. Examples—sale of land or completed building, actionable claims, other than lottery, betting, and gambling.

The definition of exempt supply under section 2(47) of the CGST Act covers three out of four terms used in Table-7B and is also a part of disclosures in FORM GSTR-1, FORM GSTR-3B and FORM GSTR-9. Further, instruction to Tables 5D, 5E and 5F of FORM GSTR-9 specifically includes the value of 'no supply'. Therefore, the turnover disclosed as 'no supply' would appear only in FORM GSTR-9 and FORM GSTR-9C. With this instruction, the auditor needs to disclose data relating to each sub-group within the definition of 'exempt supply', whether or not they were reported in FORM GSTR-1 and FORM GSTR-3B.

Illustration

The following supplies would form part of the reporting under value of exempted, nil rated, non-taxable supplies, no-supply turnover in the case of a hospital-

- (a) Consultation fees received by the hospital Rs. 2,50,00,000/- (exempted supply)
- (b) Diagnostic services provided by the hospital Rs. 40,00,000/- (exempted supply)
- (c) Excess petrol available in the hospital sold to a related party Rs.10,000/- (non-taxable supply)
- (d) Land sold by the hospital Rs.5,00,00,000/- (no-supply)

Common errors/ control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head-

- Cross link with corresponding items in FORM GSTR-9-Part II Tables 5D, 5E and 5F;

- Notes to FORM GSTR-9C may be drafted for this Table as to the manner of its quantification from the books and records and correlated with returns filed in FORM GSTR-3B;
- To be cross checked with exempted turnover computation for the purpose of section 17(2) of the CGST Act.

Auditors' notes to consider:

The value of no-supply as reported in books is considered to be the actual value for the purpose of reporting in FORM GSTR-9C.

Conclusion

Therefore, Table 7B of Part II to FORM GSTR-9C would contain the value of exempted, nil rated, non-taxable supplies, no-supply turnover.

Table 7C. Zero rated supplies without payment of tax

7C	Zero rated supplies without payment of tax	
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Table No.	Instructions
7C	Value of zero-rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments, if any.

Introduction

Table 7C of FORM GSTR-9C requires disclosure of value of zero-rated supplies without the payment of tax which forms part of the 'Annual turnover after adjustments' from Table 5P. This should also consist of the value of zero-rated supplies which have not been declared in the monthly return/ annual return erroneously for the reason that the adjusted turnover at Table No. 5P contains even such zero-rated supplies. Therefore, such value of zero-rated supplies should be deducted from the adjusted annual turnover arrived at Table 5P so as to claim exemption. In short, the zero-rated supplies as recorded in the audited annual financial statements should be declared against Table 7C provided such zero-rated supplies have also not been declared in monthly returns filed for the period April to September following the relevant financial year.

Analysis

Zero rated supply under the provisions of GST law means:

- (a) Exports of goods or services or both.
- (b) Supply of goods or services or both to SEZ developer/ SEZ unit.

The zero-rated supplies can be effected either by payment of tax or without payment of tax upon filing a letter of undertaking (LUT). Since, under Table 7 the taxable turnover as arrived from the revenue recorded in the audited annual financial statement should be reconciled with the taxable turnover as declared in the monthly returns/ annual returns, only zero-rated supplies without payment of tax should be declared against Table 7C.

In case of export of goods, the tax invoices are issued prior to the issuing of shipping bill for entering goods into the customs area in inland container depot. The recognition of revenue in the financial statement would depend upon the terms of agreements with the buyer. The terms of contract can be free on-board basis (FOB) or cost insurance freight basis (CIF).

In case of FOB contract the revenue is recognized on the date of actual shipment or filing of bill of lading as the risk of title and ownership is transferred to the foreign buyer when the goods are boarded on the conveyance.

In the case of CIF contract the revenue is recognized on the date of receipt of delivery by the foreign buyer. In such instances the insurance and freight are borne by the supplier and the risk of title and ownership is transferred to the buyer on delivery to the foreign buyer.

Revenue cannot be recognized based on the invoice date and hence, such revenue may be classified as un-earned revenue till the actual shipment when bill of lading is filed and goods are handed over to the person in charge of the conveyance. Therefore, in the case of CIF contract, such un-earned revenue shall be recognized as revenue from the sale of goods on the date of actual shipment/ filing bill of lading.

Therefore, in such instance the foreign buyer account would be debited with un-earned revenue on the date of issue of tax invoice and in case of recognition of revenue, the sales entry would be passed by deducting the un-earned revenue.

Illustration:

- (a) Foreign buyer A/c – Dr
 To Unearned revenue A/c
 (On the date of issue of tax invoice)
- (b) Unearned Revenue A/c- Dr
 To Sales A/c
 (On the date of recognition of revenue)

Therefore, where the tax invoice is issued prior to 31st March, 2020 and shipping bill/ delivery of goods takes place after 31st March, 2020 it is relevant to understand the manner in which the transactions are not recorded in the financial statements. If the exports are recognised as revenue for the financial year 2019-2020, such value of exports should be declared against Table 7C. However, if the exports are recorded as un-earned revenue in the annual audited

financial statement as on 31st March, 2020, this would not form part of the revenue at Table No. 5A for 2019-2020. where such turnover is not declared in Table 5O as an adjustment.

The export transactions effected without the payment of IGST (under bond/ letter of undertaking (LUT) are reported on invoice basis-

- (a) Table 6A and 6B and Table-9A and 9C of FORM GSTR-1.
- (b) Table 5A and 5B and for Amendments in Table 5J and Table 5K in FORM GSTR-9.
- (c) Table-7C of FORM GSTR-9C.

Therefore, the exports turnover as recognized as per the audited financials has to be reconciled with the-

- (a) Exports with payment of taxes.
- (b) Exports without payment of taxes.
- (c) Un-earned revenue.
- (d) Any other items

➤ **Source of information**

The source of information for zero-rated supplies shall be obtained from the outward supply statement in FORM GSTR-1 and revenue register forming part of books of accounts. The outward supply statement filed in FORM GSTR-1 shall be correlated with the zero-rated supplies declared in the monthly returns in FORM GSTR-3B.

➤ **Validation of information**

In respect of export of goods without payment of duty, the data may be verified in the following manner-

- (a) invoices along with packing list issued for export of goods;
- (b) shipping bill / bill of lading;
- (c) application seeking refund of input tax credit, if any, along with the details/ documents filed therewith;
- (d) verification of shipping bills from ICEGATE portal on a sample basis;
- (e) letter of undertaking in FORM GST RFD-11 filed—since, the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;
- (f) foreign inward remittance may be verified even though it is not mandatory in case of export of goods;

In respect of supply of goods to SEZ without payment of taxes, the data may be verified in the following manner-

- (a) invoices by the supplier. The invoice would contain the endorsement of the SEZ officer;
- (b) purchase order issued by the SEZ recipient;
- (c) agreement for supply of goods, if any, between the supplier and the SEZ-recipient;
- (d) letter of undertaking in FORM GST RFD-11 filed– since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

In respect of export of services, the data can be validated in the following manner-

- (a) the invoices issued for export of services;
- (b) purchase order, if any, issued by the recipient of services;
- (c) the agreement between the supplier of services and the recipient of services;
- (d) bank statement or the certificate issued by the bank for inward remittance of foreign exchange;
- (e) letter of undertaking in FORM GST RFD-11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;
- (f) application seeking refund of input tax credit, if any, along with the relevant documents;

In the case of supply of services to SEZ without payment of taxes, the outward supplies can be validated in the following manner:

- (a) verification of the copy of invoice. As a practice, the SEZ-recipient issues a copy of the invoice endorsed by the specified officer of the concerned SEZ;
- (b) purchase order issued by the SEZ-recipient;
- (c) agreement between the supplier of services and the recipient of services;
- (d) the default list of the authorised operations list of the SEZ-recipient if available with the supplier may be verified;
- (e) letter of undertaking in FORM GST RFD-11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

Notes to consider

Possibilities of errors while disclosing the zero-rated supplies without payment of taxes in FORM GSTR-1 and FORM GSTR-3B are-

- (a) Zero-rated supplies with payment of tax should not be declared against Table 7C. Such exports would form part of the taxable turnover to be arrived at Table 7F;
- (b) The option to export or supply to SEZ without payment of tax is available only if the letter of undertaking is filed. Due caution should be exercised if the letter of undertaking is not filed and the tax is also not remitted. In such a scenario, exemption claimed should not be disallowed on the grounds that the letter of undertaking is not filed in case

of the export supplies or SEZ supplies are fructified. In this regard, attention is drawn to Circular No. 125/ 44/ 2019–GST dated 18.11.2019 wherein it is clarified that substantial benefits of zero-rated supplies should not be denied if it is established that the goods or services have been exported. In such a scenario, the auditor may issue the certificate with necessary audit note in this regard.

- (c) Rule 96A of the CGST Rules, specifies that a taxable person would be liable to pay applicable tax along with interest within fifteen days from the following date-
- In case of goods—after the expiry of three months or such further period as may be allowed by the Commissioner from the date of issue of the invoice for export, if the goods are not exported out of India;
 - In case of services—after the expiry of one year or such further period as may be allowed by the Commissioner from the date of issue of export invoice, if the payment is not received by the exporter in convertible foreign exchange.
- (d) If the tax is remitted in terms of Rule 96A of the CGST Rules, the relevant zero-rated supplies should not be declared against Table-7C since the tax on such supplies have been remitted. Where a taxable person is effecting zero-rated supplies without payment of tax and certain zero-rated supplies with payment of tax, due caution should be exercised to bifurcate the same and accordingly, declared them against Table 7C.
- (e) Rule 96B of the CGST Rules, specifies that a taxable person would be liable to pay the following amount along with interest when the sale proceeds in respect of export goods have not been realised, in full or in part, in India within the period allowed under the Foreign Exchange Management Act, 1999 (42 of 1999), including any extension of such period.
- refund of the unutilised input tax credit on account of export of goods.
 - refund of the IGST paid on export of goods,

The payment is restricted to the extent of non-realisation of sale proceeds, along with applicable interest within thirty days of the expiry of the said period or, as the case may be, the extended period.

If the registered person fails to pay the amount, then it is recovered in accordance with the provisions of section 73 or 74 of the Act along with interest under section 50.

Additional notes to consider

The following has to be ensured while validating the value of zero-rated supplies without payment of tax reported under this head-

- (a) The GSTIN-wise bifurcation of zero-rated supplies without payment of tax effected has to be arrived at appropriately.

- (b) The tax remitted under Rule 96A of the CGST/ SGST Rules, if any, should be identified. The zero-rated supplies relating to such remittance should not be declared against Table-7C.
- (c) Goods exported in pre-GST regime, but recognised as revenue in GST regime in the audited annual financial statements, should be ascertained and such zero-rated supplies should be declared against Table-5O. Such zero-rated supplies may not qualify as turnover for the purpose of the GST law but would be accounted as revenue as per the audited financial statements.
- (d) The supplies effected under merchanting trade would not qualify as an export under the GST law. Accordingly, such supplies may not be declared under the reconciliation statement in FORM GSTR-9C.
- (e) Deemed exports, if any, effected by the taxable person shall not be declared against Table-7C since, such supplies would not qualify as zero-rated supplies without payment of tax under the provisions of the GST laws.

Conclusion

Zero-rated supplies without payment of tax effected by a registered person for the period July, 2017 to March, 2018 should be declared against Table-7C. Zero-rated supplies on payment of tax shall form part of the turnover to be arrived at Table-7F.

Table-7D-Supplies on which tax is to be paid by recipient on reverse charge basis

7D	Supplies on which tax is to be paid by the recipient on reverse charge basis.	
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Table No.	Instructions
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments, if any.

Introduction

Section 2(98) defines reverse charge to mean a case where liability to pay tax is on recipient of supply of goods or service instead of supplier under section 9(3) and 9(4) of the CGST/ SGST Act or section 5(3) or 5(4) of the IGST Act.

Analysis

Relevant provisions

- (a) Relating to goods: NN-4/ 2017-CT(R) and 4/ 2017-IT(R) both dated 28th June, 2017, as amended.

- (b) Relating to services: NN-13/ 2017-CT(R) and NN-10/ 2017-IT (R), both dated 28th June, 2017 as amended.
- (c) As per section 17(3) of the CGST Act, exempt supply shall include supplies on which the recipient is liable to pay tax under reverse charge. The meaning of this provision is that where a supplier is supplying goods/ services, the tax on which is liable to be paid by recipient then such supply of goods/ services would be treated as exempt supply in the hands of such supplier.
- (d) As per section 9(4) all registered persons, in respect of the supply of specified categories of goods or services or both received from an un-registered supplier, pay the tax on a reverse charge basis. However, CBIC vide. NN-08/ 2017-CT(R), dated 28th June, 2017 (as amended) provided an exemption to registered persons from paying CGST under reverse charge on the supply of goods or services from un-registered person to registered person from 13th October, 2017 till 30th September, 2019.
- (e) Section 9(4) has been substituted by the CGST (Amendment) Act, 2018, w.e.f. 1st February, 2019. Accordingly, the Government has been empowered to notify a class of registered persons who shall, in respect of the supply of specified categories of goods or services or both received from an un-registered supplier, pay the tax on a reverse charge basis. Further, in this connection, CBIC issued NN-07/ 2019-CT(R), dated 29th March, 2019 (as amended) where the promoter has to pay the taxes for the procurement of supplies from an un-registered person.

Source of information

The following documents may be verified for information-

- (1) The auditor has to verify if the supplier has more than one vertical. One of them vertical must be on forward charge and one on reverse charge. The vertical on reverse charge should be taken under '*supplies on which tax is to be paid by recipient on reverse charge basis*'.
- (2) Data entered Table-4B of FORM GSTR-1 (Supplies attracting tax on reverse charge) should be taken as the source for this information. The data would have been entered in Table-4B providing invoice level details.
- (3) The aforesaid information should be also entered in Table-3.1(c) (Other outward supplies-nil rated, exempted) of FORM GSTR-3B.
- (4) Table-7 provides for 'Reconciliation of taxable turnover'. Table-7A starts from the annual turnover after adjustments. The data in Table-7A is auto populated from entries in Table-5P, which refers to 'Annual turnover after adjustments. From the said turnover, the following turnovers are reduced-
 - (a) Value of the exempted turnover

- (b) Nil-rated turnover
 - (c) Non-taxable turnovers
 - (d) No-Supply turnovers
 - (e) Zero-rated turnover made without payment of tax.
- (5) In light of the above, it can be inferred and concluded that the data to be entered under Table-7D is supplies made by the supplier, on which tax is to be paid by the recipient.
- (6) It is reiterated at the sake of repetition that expenses on which tax is paid by registered person as recipient of service should not be inserted in this column and reduced from annual adjusted turnover since Table-7 is seeking to reduce items from annual turnover after adjustments to arrive at turnover of registered person which is liable to tax.

Validation of information

- (i) The first level of validation would be cross verification between the ledger account of the outward supply which is liable to reverse charge, with the values entered in Table-4B of FORM GSTR-1. The verification should be conducted month wise. If the data verified pursuant to the aforesaid verification matches, then it would provide a level of comfort to the auditor.
- (ii) The second level of validation is cross referencing the data in Table-4B of GSTR with data in Table-3.1(c). While cross referencing the data, only exempted supply on account of reverse charge should be extracted from Table-3.1(c) After such extraction, any difference in Table-3.1(c) and Table-4B would point to a *prima facie* mistake.
- (iii) The aforesaid outward supply subject to reverse charge to be entered in Table7D of FORM GSTR-9C is net of the debit and credit notes because these notes on account of the aforesaid outward supplies would have been accounted in Table 9B and 9C of FORM GSTR-1.

Common errors, checks and balances to validate correctness and completeness

- (a) The value on which tax is paid under reverse charge under section 9(3) and 9(4) may be wrongly entered here. What is to be entered in Table-7D is the supplier's/ registered person's outward supply, which is liable to reverse charge by a third person and not by the supplier/ registered person.
- (b) There could be cases where the supplier has charged tax in his invoice whereas tax ought not to have been charged but paid by the recipient. In such cases, where tax has been separately charged and shown in the invoices, then such tax, if collected "by the supplier from the recipient" ought to be paid to the government exchequer. If such tax has not been paid, then it is recoverable as per section 76 of the CGST Act.

- (c) The auditor would have to verify if the GTA is availing ITC and charging GST @ 12%. If that is happening, then the said turnover would fall within the meaning of taxable turnover and not be declared under this entry.
- (d) In cases where GTA is neither charging GST nor availing ITC and GST is payable by the recipient under reverse charge, then the said turnover would come under this entry in Table-7D.
- (e) There could be cases where the supplier has paid tax on his outward supplies, which are liable to reverse charge. In such cases, though the supplier has paid tax, it is not legally correct. Such supplies on which tax has been paid wrongly on forward charge, though liable to tax under reverse charge, will still have to be entered in Table-7D and deducted from the adjusted turnover to arrive at the taxable turnover.
- (f) Once the aforesaid turnover is treated as 'exempted turnover' for the supplier, the credit reversals under Rules 39, 42 and 43 of the CGST Rules should be computed and reversed.
- (g) The credit reversals under Rules 42 and 43 of the CGST Rules find a specific mention in Table-4B (1) of FORM GSTR-3B. Thus, the credit reversals should also be computed. Though data relating to reversal of credit need not be uploaded in this entry i.e., Table-7D, it would be the auditor's duty to verify if credit reversals have been made under section 17 read with Rules 39, 42 and 43 under the respective entries.
- (h) The auditor would have to verify if the invoice issued with respect to aforesaid services contains a declaration that 'tax is payable under reverse charge' by the recipient of service as per Rule 46(p) of the CGST Rules. The aforesaid provisions shall apply to the receipt voucher and refund voucher as per Rules 50 and 51 of the CGST Rules.
- (i) Where a person provides services to a body corporate as director and also provides services to other persons not in the capacity of a director, then the services provided in the capacity of the director to the body corporate would fall under Table-7D whereas all other services provided by him would form part of the Table turnover.
- (j) Similarly, where a person provides services as a recovery agent/ insurance agent and also provides services to bank/ insurance company in addition to his other services, then the consideration received from the bank/ insurance company should be entered in Table-7D and other services liable to forward charge should form part of taxable turnover as per Table-7E.
- (k) Temporary transfer of copyright by an author or music composer, photographer, artist, or the like, relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like under section 13(1)(a) of the Copyright Act, 1957

ought to be mentioned in Table-7D. All other considerations received by them, including consideration received for temporary transfer of copyright under section 13(1)(b) and 13(1)(c) of the Copyright Act, 1957 would be liable to tax under forward charge and included in Table-7E.

- (l) Table-3.1(c) of FORM GSTR-3B relating to other outward supplies includes nil-rated supplies and exempted supplies. As per section 17(3), outward supplies which are liable to reverse charge shall be treated as exempted turnover for the supplier. Thus, the outward supplies liable to reverse charge would be included in this Table. The aggregate of this turnover disclosed in FORM GSTR-3B for July, 2017 to March, 2018 must be extracted and matched with invoice level details in the books of accounts and invoice level details entered in FORM GSTR-1 (Table-4B). Data must be entered in Table-7D only after the aforesaid reconciliation.

Notes to FORM GSTR-9C

In case the invoice does not contain the declaration required under Rule 46 or credit has not been reversed under Rules 39, 42 or 43 or tax has been wrongly collected by the supplier on services liable for reverse charge (and retained by the supplier), then such infractions should be reported in the audit report because the audit report has to have disclosures regarding non-maintenance of records and documents/ observations and inconsistencies relating to reversals of credit.

Illustrations

Please state which of the following are liable to reverse charge:

- (a) GTA issued a consignment note on 1st January, 2018. The consignment notes charges GST @ 12%. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table-7D?
- (b) GTA issued a consignment note on 1st January, 2018. The consignment note does not charges GST. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table-7D?
- (c) Advocate Mr. X has provided legal services and charged GST of Rs. 18 on his invoice of Rs. 100. The advocate's client has paid Rs. 118 to the advocate. The advocate has remitted Rs. 18 to Government and is of the opinion that the aforesaid transaction should not be mentioned in Table-7D. Is the stand taken by the advocate correct?

Answers

- (a) The consignment note contains GST @ 12%, so reverse charge does not attract as per NN-13/ 2017-CT(R) w.e.f 22nd August, 2017. Hence, tax has to be paid by GTA under forward charge, and this transaction should not be entered in Table-7D.

- (b) Since consignment note has not charged GST @ 12%, reverse charge provisions would apply. Tax is to be paid by the person liable to pay freight, i.e., the recipient and not the GTA under forward charge. Because of this, the impugned transaction has to be entered in Table No.7D.
- (c) Supplies by a registered person, whose suppliers are liable for reverse charge, are to be inserted in Table No.7D. Legal service provided by the advocate to his client is liable for reverse charge (assuming all other conditions in reverse charge notification stand satisfied). Hence, the impugned transaction should be inserted in Table No.7D. GST wrongly collected and paid by the advocate under forward charge will not change the fact that the aforesaid service is liable to reverse charge and hence merits insertion in Table-7D.

Conclusion

It must be ensured that if the supplier has turnover which is liable to both forward charge and reverse charge then the turnover liable to reverse charge should be accounted for in Table No.7D. It may be ensured for purposes of control that the aggregate of turnover under forward charge and reverse charge is the total turnover.

7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
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Table No.	Instructions
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table-7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Tables-7B, 7C and 7D above.

The details of adjusted total turnover needs to be broken down in accordance with the GST rates based on the reports generated from the books of accounts and necessary adjustments made in Part II of FORM GSTR-9C which have not impacted the books of accounts of the registered person.

Table-7F: Taxable turnover as per liability declared in Annual Return (FORM GSTR-9)

7F	Taxable turnover as per liability declared in Annual Return (FORM GSTR-9)	
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Table No.	Instructions
7F	Taxable turnover as declared in Table (4N – 4G) + (10-11) of the Annual Return (FORM GSTR-9) shall be declared here.

Introduction

Table-7F of FORM GSTR-9C requires that the taxable turnover as per the liability declared in the Annual Return (FORM GSTR-9).

Analysis

Source of information

Instruction as per FORM GSTR-9C

The value of taxable turnover which shall flow from FORM GSTR-9 shall be declared here. The taxable turnover from FORM GSTR-9 for Table-7F shall be as under-

4N. Supplies and advances on which tax is to be paid (H + M) above	xxx
<u>Less</u> 4G. Inward supplies on which tax is to be paid on reverse charge Basis	xxx
<u>Add</u> 10. Supplies/ tax declared through Amendments (+) (net of debit notes)	xxx
<u>Less:</u> 11. Supplies/ tax reduced through Amendments (-) (net of credit notes)	xxx
Taxable turnover to be declared in Table-7F	xxxx

The information must flow from FORM GSTR-9 which contains supplies and advances on which tax is paid as per Table-4N deducting therefrom the inward supplies on which tax is to be paid under reverse charge and adjustment on account of supplies made in current FY declared in returns of April to September of the next FY (in case of 2017-2018, in the return for 2018-19) as declared in Table No. 10 & 11. The turnover arrived at Table-7F of Part-II of FORM GSTR-9C should match the turnover as declared in the Annual Return.

Validation of information

The taxable turnover arrived at in Table-4N of the annual return in FORM GSTR-9 will comprise the sum of the following and accordingly, the source of information may be validated adopting the appropriate audit techniques-

Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table-4 of FORM GSTR-9)

- (a) Supplies made to un-registered persons (B2C);
- (b) Supplies made to registered persons (B2B);
- (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ);
- (d) Supplies to SEZ on payment of tax;
- (e) Deemed exports;
- (f) Advances on which tax has been paid but invoice has not been issued for the period of audit;

(g) Inward supplies on which tax is paid under reverse charge mechanism.

The above shall be adjusted by the value of:

(a) Credit notes and debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in FORM GSTR-1 and the annual return in FORM GSTR-9;

(b) Supplies declared or reduced through amendments;

It is relevant to note that the credit note and debit note issued after the end of the financial year should not be adjusted against the turnover. Such adjustments whether by way of amendments or by issuing debit/ credit notes post March 31st of the relevant financial year shall form part of the turnover/ annual return filed for the financial year in which such adjustment was made, or debit/ credit note was issued.

The taxable turnover also includes adjustment of previous FY made in the current FY as disclosed in Table-10 and Table-11 of the FORM GSTR-9.

For the detailed process of validation refer to handbook on Annual Return-FORM GSTR-9 Table-4.

Notes to consider

FORM GSTR-9C contains notes disclosing certain limitations inherent in this exercise-

- Details of FORM GSTR-9 prepared and filed by the registered person has been provided in FORM GSTR-9C.

Conclusion

Therefore, in Table-7F of FORM GSTR-9C taxable turnover as declared in the Annual Return in FORM GSTR-9 Tables (4N – 4G) + (10 – 11) would have to be disclosed.

Table-8: Reasons for Un-Reconciled difference in Taxable Turnover

8	Reasons for Un-Reconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table-7E above and the taxable turnover declared in Table-7F shall be specified here.

Introduction

This part of FORM GSTR-9C explains the reason for difference in taxable turnover as derived as per FORM GSTR-9C i.e., audited financials and as per FORM GSTR-9 i.e. GST return. All the information filled up in the GST returns has to flow from the books of accounts. However, the un-reconciled turnover on account of disclosure norms as per Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the registered person on special approval basis, which are not reconciled at turnover level should be disclosed in this Table.

For instance, the mechanism for the determination of revenue in case of sale of a capital asset shall differ for the value to be disclosed in the GST returns compared with that of the practice adopted in the book of accounts.

Analysis

Source of information

The data which has to be filled up in this Table is drawn out of Tables-5, 6, 7. Further, review of the transactions effected through the E-way bill gives details about the exceptional transactions, if any, to be reported through the above reconciliation.

Relevant document/ books/ records

Examine the agreements, work order, purchase order etc., to check the tax applicability. If any exemption benefits have been availed, check if the conditions for availing them have been met. Examine the existence and validity of LUT obtained for the Zero-rated supplies made.

Validation of information

Reconciliation difference derived in Table-5 and Table-6 of Part-II of FORM GSTR-9C shall be considered.

Illustration

The following illustrations can be considered for reporting the reconciliation differences-

- (a) Zero-rated supply made by the registered person during the previous year. If the conditions relevant for the supply have not been complied by the registered person, then the supplies can be construed to be regular supplies.
- (b) Transaction reported in a delivery challan during the financial year for supply on sale or approval basis beyond a period of six months shall be deemed to be supply under the GST. However, that may not be a sale for revenue recognition in the books of accounts for such a transaction. Assuming the GST returns carry the supply details, and no

revenue recognition has been done in the books of accounts, this shall call for reconciliation.

- (c) Exemption conditions not fulfilled by the registered person while exercising the option to supply either a nil-rated or exemption, shall be reported as regular supply.

Common errors

Possible errors in the preparation of the above reconciliation are given below:

- Exempted turnover that is not in compliance with the conditions shall be construed as a regular supply in the books unless discovered.
- Supply made without payment of tax is grouped under zero-rated by mistake.

Auditors note

The auditor shall make a reference to the zero-rated supply or exempted supply for the conditions laid out as per the GST laws.

The auditor should make a disclosure about the reasons that cannot be reconciled for or concluded for sake of clarity on taxable nature.

Part III: Reconciliation of tax paid

Scope

After reconciling the turnover declared and reported in the audited financial statement with turnover declared in annual return along with reasons for reconciliation, if any, the relevant Part-III of FORM GSTR-9C requires an auditor to reconcile the rate-wise liability of tax, total amount payable thereon with tax actually paid as declared in the annual return and recommendation of additional tax payable due to non-reconciliation of the taxable value.

The relevant Part III of FORM GSTR-9C is bifurcated into 3 Tables i.e., Tables-9, 10 and 11. Table-wise details to be disclosed in Part-III are as under-

Table Number	Brief Details to be entered in each Table
9	Reconciliation of rate wise liability and amount payable thereon
10	Reasons for un-reconciled payment of amount
11	Additional amount payable but not paid (due to reasons specified under Tables-6, 8 and 10 above)

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	Integrat ed Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
II	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>
Q	Total amount paid as declared in annual return (FORM GSTR-9)					
R	Un-reconciled payment of amount (PT1)					

Table No.	Instructions
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (FORM GSTR-9). Under the head labelled 'RC', supplies where tax was paid on reverse charge basis by the recipient (i.e., the person for whom reconciliation statement has been prepared) shall be declared.

9P	The total amount to be paid as per liability declared in Tables-9A to 9O is auto populated here.
9Q	The amount payable as declared in Table-9 of the annual return (FORM GSTR-9) shall be declared here. It should also contain any differential tax paid on Table-10 or 11 of the annual return (FORM GSTR-9).

Scope

The relevant Table-9 requires the auditor to provide details of taxable value along with the gross tax liability of the registered person whose FORM GSTR-9C is being filed by him. The said tax liability needs to be reported rate-wise in Table-9. Further, the taxable value and liability of tax on which the given registered person is required to pay tax under reverse charge mechanism are also required to be reported rate-wise separately. After reporting of the same, the details of total tax payable for the financial year 2017-18 as declared in FORM GSTR-9 i.e., under the annual return is also required to be disclosed. The given Table also requires the disclosure of interest, late fee and penalty payable.

Purpose

The purpose of this Table is to quantify the un-reconciled tax payable and other amounts recorded in the books of accounts with amounts disclosed in FORM GSTR-9. It shall help the auditor to recommend in Part V of the FORM GSTR-9C, the additional tax liability to be paid by the registered person due to non-reconciliation of taxable value in the books of accounts and FORM GSTR-9.

Analysis

➤ *Sources of information*

Rate-wise details of tax liability

Various rates of tax have been notified on the supply of goods and services affecting the tax liability during the year 2017-18. The said rate of taxes are 0%, 0.10%, 0.25%, 3%, 12%, 18% and 28%. The rate-wise details of tax liability to be entered in Table-9 first. Then it is to be bifurcated in two parts for-

- (a) Outward supply
- (b) Inward supply

For rate-wise tax liability on outward supply

From the scheme of Table-9 it is clear that the auditor is required to report the GST payable rate-wise bifurcating the total taxable turnover calculated in Table-7E under Part II of FORM GSTR-9C. Once the taxable value is reported under various rates as specified in sub-parts A, C, E, G, I, J, and K, the relevant amount of tax shall be calculated by the system.

The values that are to be reported in Table-9 should be taxable value as reported under Table-7E of FORM GSTR-9C, i.e., adjusted total turnover for the FY 2017-18 under the GST and the amount of tax (rate-wise) should be derived mathematically.

For rate-wise tax liability on inward supply liable for reverse charge

Just like the GST rate-wise details of taxable value for outward supply are disclosed in the given Table, the details of taxable value of inward supplies on which the registered person is required to pay tax under reverse charge should also be disclosed. The details for this have to be taken from the books of accounts. In case of tax payable under RCM, the auditor should consider the following points-

- The tax was payable under section 9(3) and 5(3) of the CGST Act and various SGST Acts and IGST Act respectively.
- The tax was payable under section 9(4) and 5(4) of the CGST Act and various SGST Acts and IGST Act respectively on supplies received from un-registered suppliers. The said details should be taken for a period up to 12th October, 2017 (Applicable only for registered person other than promoters)
- The tax was payable under section 9(4) and 5(4) of the CGST Act and various SGST Acts and IGST Act respectively on supplies received from un-registered suppliers by the promoter w.e.f. 1st April, 2019.
- Reverse charge in respect of financial year 2017-18 paid during financial year 2018-19 and the ITC on such payment would have been taken in the year of payment. In such case, CBIC had clarified that such details will not be declared in annual return for the financial year 2017-18 and will be declared in the year of payment made for such liability. If there are any variations in the calculation of turnover on account of this adjustment, the same may be reported with reasons in the reconciliation statement.

The base in given case should be taxable value only and the amount of tax shall be sub-set and would be derived accordingly.

For interest, late fee, penalty and other payables

The details of any liability of interest under section 50 of the GST Acts accounted for in the books of accounts or any late fees for late filing of FORM GSTR-3B or penalty leviable under any relevant sections of the Act needs to be reported here.

For the calculation of interest under any given column, the rate-wise taxable value as reported under Column-2 of Table-9 should be further bifurcated month-wise. Only after comparing the monthly tax liability calculated on the basis of details of tax paid reported in the monthly FORM GSTR-3B, the correct amount of interest be calculated and reported.

Checking needs to be done to see if there is any amount which should not have been reported in the monthly GST returns (like penalty under section 129 of the GST Acts for movement of goods without compliance of Rule 138 of the GST Rules) but accounted for in the books of accounts and relating to GST should also be reported in given columns. The respective accounts of expenses in the profit and loss account needs to be referred to get information in this regard.

For total amount paid as declared in the Annual Return (FORM GSTR-9)

The amounts in the given row shall be the summation of amounts entered in Table-9 under Part IV and Table-14 under Part V of the FORM GSTR-9 i.e., details of amount paid through Cash and ITC during the financial year in FORM GSTR-3B and subsequent year's tax period's (say, April to September) FORM GSTR-3B for the current year's liability declared in Table-14 of the FORM GSTR-9. It has to be ensured that only details of tax paid are taken and not the details of tax payable.

For non-reconciled payment of tax

The same shall be auto calculated by the system based on difference between Tables 5P and 5Q of Table-9.

➤ **Validation of information**

(A) For tax payable

(a) In relation to outward supply

As mentioned above, the amount of adjusted total turnover in Table-7E is the base from which the details of tax paid on the basis of the reconciliation statement are reported in Table-9P. But the details in Table-9P are auto-populated based on the details entered in the rate-wise GST tax liability and the values of taxable service thereon.

For information to be fed in Table-9, the data should be extracted in four parts tabulated as following-

S. No.	Particulars	To be compiled Yearly/ Monthly	Relevant Table of FORM GSTR-9C
1.	Total turnover as per the audited financial statements	Monthly	5A
2.	Add/ (less) Adjustments for <ul style="list-style-type: none"> • Un-billed Revenue +/- • Credit Notes issued after the FY. 	Yearly Yearly	5B and 5H 5E

	<ul style="list-style-type: none"> • Turnover (April, 2017 to June, 2017) • Un-adjusted Advances +/- 	Apr-June Yearly	5G 5C and 5I
3	Add/ (less) Adjustments for <ul style="list-style-type: none"> • Trade Discount • Financial Credit Note • SEZ to DTA Supply • Composition Turnover • Foreign Exchange Adjustment • Exempted NIL rated Supply • Zero rated Supply without tax • Outward Supply liable for RCM 	Monthly Monthly Monthly Monthly Monthly Monthly Monthly	5F 5J 5K 5L 5N 7B 7C 7D
4	Add/ (less) Adjustments to be made where there is no impact of the following on turnover in the books of accounts <ul style="list-style-type: none"> • Deemed Supplies • Adjustment in taxable value • Other adjustments 	Monthly Monthly Monthly	5D 5M 5O
5.	Total of (1) + (2) + (3) + (4) = Adjusted total turnover or ideal GST turnover or taxable value for FY 2017-18 in the books of accounts	Yearly	7E

Now, on perusal of the given Table it is suggested that data of gross values required to be entered in Tables-5 and 7 under PART II of FORM GSTR-9C should be compiled either on a monthly basis or on a yearly basis as specified above from the books of accounts. Further, for particulars mentioned in Table-4, no details shall be mentioned in the books of accounts since no adjustments in relation to same could have been done in books of accounts. Since their taxable value is a part of adjusted turnover under Table-7E, it is suggested that a separate working sheet for the same should be prepared on a monthly basis.

Once the frequency with which the data has to be fetched for the adjusted turnover is decided, for purposes of Table-9, through the books of accounts and other related reports to be generated, each of the said details should be further broken down under the various GST rates to which it is mapped in the books of accounts on monthly or yearly basis, as the case maybe.

Lastly, the total of adjusted turnover as deduced in Table-5 shall be bifurcated as per the GST rates.

A Table depicting how month-wise details of the adjusted turnover should be prepared is enumerated as under:

S.No.	Particulars	Frequency	0%	0.10%	0.25%	3%	5%	12%	18%	28%	Total
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under	Monthly	15	25	30	40	50	20	50	20	250
B	Unbilled revenue at the beginning of Financial Year	(+) Yearly									
C	Unadjusted advances at the end of the Financial Year	(+) Yearly									
D	Deemed Supply under Schedule I	(+) Monthly							50		
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+) Yearly									
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				2	2	2	2	2	10
G	Turnover from April 2017 to June 2017	(-) Monthly									
H	Unbilled revenue at the end of Financial Year	(-) March									
I	Unadjusted Advances at the beginning of the Financial Year	(-) Yearly									
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				1	1	1	1	1	5
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-) Monthly							10		
L	Turnover for the period under composition scheme	(-) Monthly	0								
M	Adjustments in turnover under section 15 and rules	(+/-) Monthly					8	7			15
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-) Monthly					2				2
O	Adjustments in turnover due to reasons not listed above	(+/-) Monthly									
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply	Monthly	10								10
7C	Zero rated supplies without payment of tax	Monthly	5								5
7D	Supplies on which tax is to be paid by the recipient on reverse	Monthly					20				20
7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>	15	0	0	0	10	7	0	0	32

(Figures are Illustrative)

How to validate the details of gross turnover as per the books of accounts?

Ideally the ledger accounts for outward tax liability in the books of accounts should be maintained GST rate-wise. It will minimize the chances of errors in classification due to over-sight in the books of accounts and shall ensure that data generated from the books of accounts is correct and consistent. The rate of tax should also be mapped with HSN to ensure that errors of HSN classification are also minimized.

Generally, in various accounting software and ERPs, the facility to generate the report of GST rate-wise outward tax liability along with taxable value or transaction value is available. The same can be relied upon as a document. The total of the said report should be matched with the total turnover declared in the books of accounts. Further, the amount of tax should also be matched with total credits in the GST liability register in the books of accounts.

In cases where no report of rate-wise GST liability along with taxable value can be generated or where the liability ledger is not maintained rate-wise, the GST auditor should use substantive audit tools to check if the details of various invoices issued by the registered persons have been consistently and accurately booked in the books of accounts. If after doing that the auditor is satisfied that proper recording of transactions has taken place and the report duly prepared by the registered person for rate-wise amount of tax liability and taxable amount is made available to him then he can rely on the same with a separate disclosure that rate-wise tax liability has not been maintained in the books of accounts.

In cases where no rate-wise tax liability and taxable value has been maintained in the books of accounts and the registered person is engaged in making outward supplies of goods or services or both of different rates and no substantive test can be applied for checking the accuracy of data entered in the books of accounts then the auditor may consider to disclosing that due to lack of availability of rate-wise tax liability from the books of accounts, he is not in a position to punch details in the given Table. In case any information for this Table is given by the registered person, then, subject to the disclosure made above, the whole amount of tax liability has been disclosed in a specific rate column as given by the registered person.

How to validate details of deemed supplies and adjustments of valuations

In case of deemed supplies under Schedule-I, there can be a situation that tax amount in relation to said deemed supplies becomes part of the tax liability register but might not be a part of the overall turnover of the registered person in the books of accounts. In such cases, if possible, after tracking of such specific instances, the rate-wise taxable value of the said transactions should be calculated either on the basis of invoice issued under section 31 of the CGST Act, or by the reverse method. (i.e., calculating the value of taxable supply from the rate of tax). The same shall be applicable where the adjustments of section 15 or valuation rules is made for tax purpose.

(b) In relation to inward supply

Since the value of inward supply liable for reverse charge needs to be taken from the books of accounts maintained by the registered person, details need to be extracted from specific ledger accounts and head of expenses which have been identified as supplies liable for RCM.

In case of supplies attracting reverse charge, the time of supply is decided at the earliest of following events-

- (a) The date of receipts of goods by the receiver;
- (b) The date on which payment is entered in the books of accounts;

- (c) The date on which payment is debited from the bank account;
- (d) In case of goods, 31st day from the date of issue of invoice by the supplier;
- (e) In case of services, 61st day from the date of issue of invoice by the supplier.

Thus, before finding the rate-wise taxable value of inward supply during the FY in which tax has been paid under RCM, the auditor needs a confirmation from the registered person if liability of RCM has been booked in the books of accounts on the basis of methods listed above or not.

In cases where the liability has not been booked in accordance with the happening of the aforesaid events, then reliance can be placed on the proviso to section 12(3) and 13(3) of the CGST Act and the date on which the entry of the given inward supplies is made in the books of accounts is made, the liability to pay RCM can be assumed to have arrived and thus the value of taxable supply along with the rate-wise tax liability will be decided accordingly.

If the impact is not material, in view of consistency, some experts opine that the amounts may be entered in Table-9. The auditor could rely on reports or workings of the dates on which entries of inward supplies are made in the books of accounts liable for RCM. The bifurcation of the same GST rate-wise should be done accordingly.

Since no reconciliation of the value of taxable inward supply is being made with entries in the books of accounts, it is suggested that a separate working for the reconciliation of the same should be prepared and kept as part of working papers by the auditor so as to deduce the rate-wise GST liability under RCM.

The suggested logical steps which can be followed for reconciliation of the identified expense account for the purpose of RCM can be as under-

Working Sheet for calculating Taxable Value of Inward Supply			
Nature of Expense			
GL Code			
S.No.	Particulars		Frequency
A	Gross Value of Inward Supply booked in books of accounts in a particular type of expense head during the FY on which Tax is payable under RCM		Monthly
B	Provision of expenses at the beginning of Financial Year for which Invoice is not raised by supplier in current year	(-)	Yearly
C	Unadjusted advances at the end of the Financial Year	(+)	Yearly
D	Deemed Supply under Schedule liable for RCM u/s 9(3)	(+)	Monthly
E	Expense booked from April 2017 to June 2017	(-)	Monthly
F	Provision of expenses made at the end of Financial Year	(-)	March
	Unadjusted Advances at the beginning of the Financial	(-)	Yearly
G	Adjustments in turnover under section 15 and rules thereunder	(+/-)	Monthly
H	Adjustments in expenses due to reasons not listed above	(+/-)	Monthly
I	Annual Adjusted Inward Supply after adjustments as above		<Auto>
J	(Less): Value of Exempted, Nil Rated, Inward Supply		Monthly
K	(Less): If benefit of Notification No 8/2017-CT was available		Cumulative daily Total
E	Value of Taxable Inward Supply Liabile for RCM as per adjustments		(I) -(J)-(K)

Once the expense-wise value of inward supply is identified then it should be bifurcated according to the rate of GST and then summation of each such expense rate-wise can be entered in Tables-9B, 9D, 9F, 9H as applicable.

(c) In relation to interest payable

Since in Table-9L, the amounts of interest ought to have been payable is required to be reported, the value of taxable supply both of inward and outward as deducted monthly should be considered. It shall provide a clear picture of the tax required to be paid by the registered person on monthly basis in the FORM GSTR-3B. The amount of interest on GST, if any, booked in the books of accounts during the year, whether actually paid or not, may be considered only for reference and cross checking.

(B) For total amount paid as declared in annual return (FORM GSTR-9)

The details of the same are to be taken from FORM GSTR-9 based on the tax paid shown in the FORM GSTR-3B filed and any additional tax paid thereon in the subsequent returns. The cross reference to the same can be checked from necessary debit entries in the Electronic Cash Ledger and Electronic Credit Ledger maintained on the GST Portal. No values in the given Table should be entered from the books of accounts.

➤ **Contentious issues with illustrations**

Classification of supply- reporting under Table-9

In respect of tax payable to be disclosed in Table-9 under Part III of FORM GSTR-9C, an issue shall arise as to how the auditor should deal with the classification and place of supply disputes. The classification issues which may warrant auditor's observations and comments while punching data in Table-9 can be as under-

- (1) HSN disputes;
- (2) GST rate disputes;
- (3) Nature of supply disputes-inter-State or intra-State;
- (4) Place of supply disputes;
- (5) Type of supply disputes-taxable, exempt, nil-rated.

Some illustrations for the same with the possible course of action from the auditor are-

- (a) The registered person has classified EPC contract of solar power plants as supply of goods classifiable under Chapter 85 and has reflected it under 5% GST rate. However, throughout the country in various advance rulings the EPC of solar power plant has been treated as supply of works contract Service leviable to GST at the rate of 18%. The auditor is also of the view that it is a works contract service. What should the auditor do?

Ans. In case the registered person agrees with the contention of the auditor: The EPC of solar power plant should be shown as works contract service under 18% rate. It shall lead to non-reconciliation and disclosure of the auditor recommendation for payment of additional tax.

In case the registered person does not agree with the contention of the auditor, the rate of classification should be 5% under Table-9 as understood by the management and the auditor should qualify the main certificate under the opinion paragraph that according rate of GST ought to be 18% and the classification should be works contract service.

- (b) The registered person has wrongly classified an inward supply of receipt of GTA service on which tax is payable under RCM as exempt GTO service under NN-2/ 2017-CT(Rate), dated 28th June, 2017. The same has been identified by the auditor. How should he report the same?

Ans. In case the registered person agrees that classification dispute is due to an error but does not agree to change the same in the books of accounts, the auditor should always report the taxable value at the correct GST rate Tab and recommend additional payment of tax, if the same has been short paid.

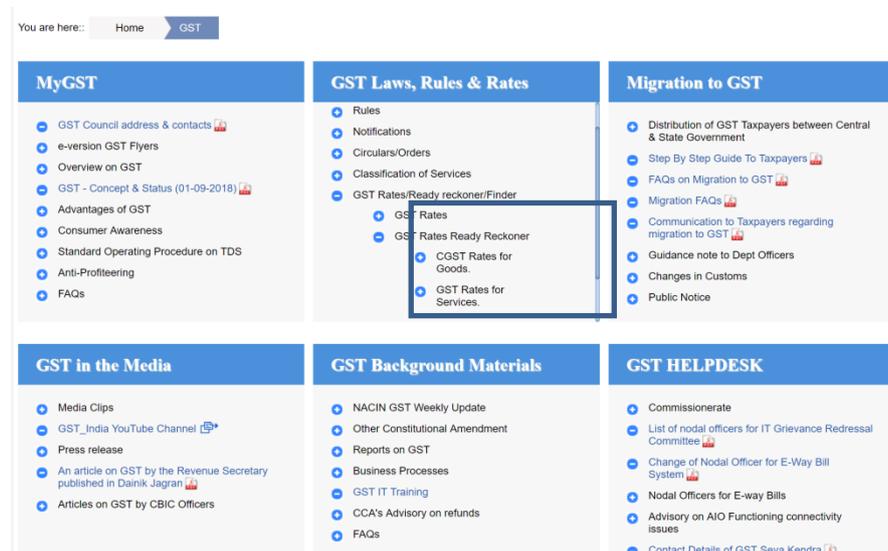
- (c) Due to the nature of the business of the registered person, types of supply, complexities of transactions and size of operations, the auditor is unable to identify or comment upon each and every classification of outward and inward supplies. How should the auditor punch data in Table-9?

Ans. The auditor may in such case put in his comment in the main Certificate under opinion paragraph (4 or 5, as the case may be) that the classification aspect has been considered as noticed during the course of audit and subject to the information and declaration or management representation as received by the registered person. It should be specified that all aspects of classification have not been considered.

➤ *Notes to consider:*

The following are the controls checks that a person should perform for validation of the amounts reported under this head-

- The turnover ledgers, tax liability ledgers and expenses ledgers should either be created GST rate-wise or their masters should be mapped with a report which can generate rate-wise classification.
- The reconciliation statement should be prepared monthly and, in some cases, yearly so that difference in the tax payable and tax paid can be drilled down to the invoice level. Only then can the interest be calculated correctly.
- During the FY 2017-18 the rate of tax on the supply of goods and services has changed many times. To keep a track of the same, the updated consolidated rate notification is hosted on the CBIC website under the Tab GST rates ready reckoner. The same tracks down the dates on which the changes were brought in various serial numbers of the rate notifications. The same should be referred to for identifying the tax rate changes and their effect given by the registered person in the books of accounts.



- Due to tax rate changes, the time of supply during the transition period also changes. Due care should be taken to ensure that tax liability has been discharged in accordance with section 14 of the CGST Act. In this context it has to be ensured that if a registered person has collected GST at a higher rate but due to operation of section 14, it was required to discharge tax at a lower rate, then, it should have either issued a credit note in the same month in which higher tax was collected or it should have actually deposited the higher tax collected and then have issued a credit note in the subsequent month and then adjusted the same.
- The register of debit note and credit note should be checked to identify that the rate of tax on supply of its goods or services was changed during the financial year, the effect of tax change was duly recorded, and the benefit of lower tax was passed on to the receiver.

➤ **Additional notes to consider**

The details should be entered in the given table with the following riders or disclosures-

- (a) The issues that may arise on account of classification have not been dealt with in detail and only those as noticed during the course of audit have been duly considered and reported.
- (b) In case the rate-wise details of outward and inward supply have not been maintained, and reliance cannot be placed on internal control of organisation in relation to recording of transactions, then the auditor should give a disclaimer that information entered in Table-9 has been provided by the management which has not been disclosed separately and rate-wise in the books of accounts.

- (c) For the identification of tax liability on RCM, in case the time of supply for the same has been followed in accordance with the provisions of section 12(3) or 13(3) of the CGST Act, then it should be reported that it was not possible to identify time of supply in accordance with the provisions of section 12 and 13.

➤ **Conclusion**

Once all the details are entered, and the difference in tax payable as per the books with actual tax payable is identified, the amounts of non-reconciliation shall be raised as per CGST, SGST/ IGST and cess-wise. On these amounts the auditor shall be required to disclose the reasons in Table-10.

Table 10: Reasons for un-reconciled payment of amount

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

Table No.	Instructions
10	Reasons for non-reconciliation between payable/ liability declared in Table-9P above and the amount payable in Table-9Q shall be specified here.

Scope

The given Table mandates the auditor to identify and disclose the reasons for un-reconciled payment of amount of tax, interest, penalty, cess and others. Reasons, amounts along with description of reason needs to be disclosed.

➤ *Source of information*

The auditor needs to identify the reasons due to which some amount is reflected in Table-9R. The various reasons can be as under-

(A) FORM GSTR-3B shows less/ more tax paid

- FORM GSTR-1 matches with the audited financials with regard to the tax payable.
- FORM GSTR-3B shows the tax paid differently from the books of accounts.

In this situation, even though Tables-6 and 8 may not show any differences as given in point (i) above, Table-10 would show a difference of the amount of tax to be paid and tax actually paid. So, any tax payable occurring due to this would automatically form part of Table-11 and the auditor's recommendations in Part V.

In case any excess tax has been paid, there will be no reporting in Table-11. There is also no provision of negative reporting in Table-11.

(B) FORM GSTR-1 and FORM GSTR-3B *inter se* matching but not with the audited financials.

- FORM GSTR-3B and FORM GSTR-1 match with each other.
- Matched FORM GSTR-1 and FORM GSTR-3B are different with regard to the audited financial statements.

Such differences would be depicted in Tables-6, 8 and 10. If the turnover is lesser than what it is in the audited financials, they could indicate a short payment of tax if differences thereof are not explained. The cause of the differences needs to be clearly identified. Taking the values after considering the audited financial statements Table-10 will be compared with the actual tax paid as per FORM GSTR-3B. As there is a difference between the audited financial statements and FORM GSTR-3B, an unreconciled difference would be shown in Table-10.

(C) Taxable turnover as per the books matching in FORM GSTR-1 and FORM GSTR-3B but tax is not matching.

- The value of taxable supply in Form GSTR-3B matches with that in FORM GSTR-1.
- Tax payable as self-assessed in FORM GSTR-3B is different from what is shown in FORM GSTR-1.

The possible reason for the same can be because of the difference in the classification of supply in FORM GSTR-1 and FORM GSTR-3B. The reporting shall be required in Table-10 only in such cases where an error has occurred in FORM GSTR-3B due to reasons of classification like the following:

- HSN disputes;
- GST rate disputes;
- Inter-State v. intra-State supply disputes;
- Place of supply disputes;
- Type of supply disputes-taxable, exempt, nil rated.

As the amount of tax in Table-9P shall be calculated on the basis of turnover reported and shall be treated as correct. Any deviation from the same shall be disclosed in Table-10.

➤ Illustration

In the case of a registered person, after filing of FORM GSTR-9 and filing Table-9 of FORM GSTR-9C, the following situation arises-

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			
		Central tax	State tax / UT tax	Integrated Tax	Total
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

Suggested format in which the reasons for reconciliation should be recorded as given in Table-10.

➤ **Conclusion**

It has to be ensured that for the whole amount of non-reconciliation reported in Table-9, the reason wise quantification of the same is done in Table-10.

Table-11: Additional amount payable but not paid (due to reasons specified under Tables-6, 8 and 10 above)

11	Additional amount payable but not paid (due to reasons specified under Tables 6, 8 and 10 above)					
			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%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					

Table No.	Instructions
11	Any amount which is payable due to reasons specified under Tables-6, 8 and 10 above shall be declared here.

➤ **Scope**

In Table-11 under Part III of the FORM GSTR-9C, the amount of tax, interest, penalty, late fees and other dues which are payable in accordance with the non-reconciliation reported under Tables-6, 8 and 10 but not actually paid as declared in annual return in FORM GSTR-9 are to be reported with rate-wise bifurcation.

➤ Source of Information

A) For additional tax payable

After due verification and analysis of the amounts along with reasons reported in Tables 6, 8 and 10 in the FORM GSTR-9C pertaining to non-reconciliation of annual gross turnover, taxable turnover and tax payable, the details of taxable value need to be identified GST rate-wise which should be reported in Table 11 on which appropriate tax has not been paid as declared in the annual return i.e., FORM GSTR-9.

There may be several reasons due to which amounts may be reported in Tables 6 and 8 of the FORM -9C.

However, in the case of amounts reported in Table 6, reasons for non-reconciliation may be due to difference in timing or due to a permanent difference in turnover as per the books of accounts and the GST returns. However, every non-reconciliation might not lead to a situation where there is a requirement to pay GST on the said difference.

Some examples where non-reconciliation is reported in Table 6 in FORM GSTR-9C but shall not require any additional tax payment are illustrated as under-

- Difference in turnover where the time of supply is postponed but revenue is recognized in books of accounts [Supply between developer and landlord in light of *Notification No. 04/2018-Central Tax (Rate)*, dt. 25-01-2018.
- Difference in the value of export turnover reported in the books of accounts on the basis of invoice value shown in the shipping bill whereas turnover reported in FORM GSTR-1 on the basis of invoice prepared in INR on the basis of exchange rate applicable on the date of preparation of invoice.
- Difference in turnover of services due to tax paid on advances and shown in FORM GSTR-1 but not required to be disclosed as turnover in the audited financial statements.
- Difference in turnover due to disclosure of profit/ loss on sale of fixed assets in the audited financial statements and disclosure of whole sale proceeds in GST returns.

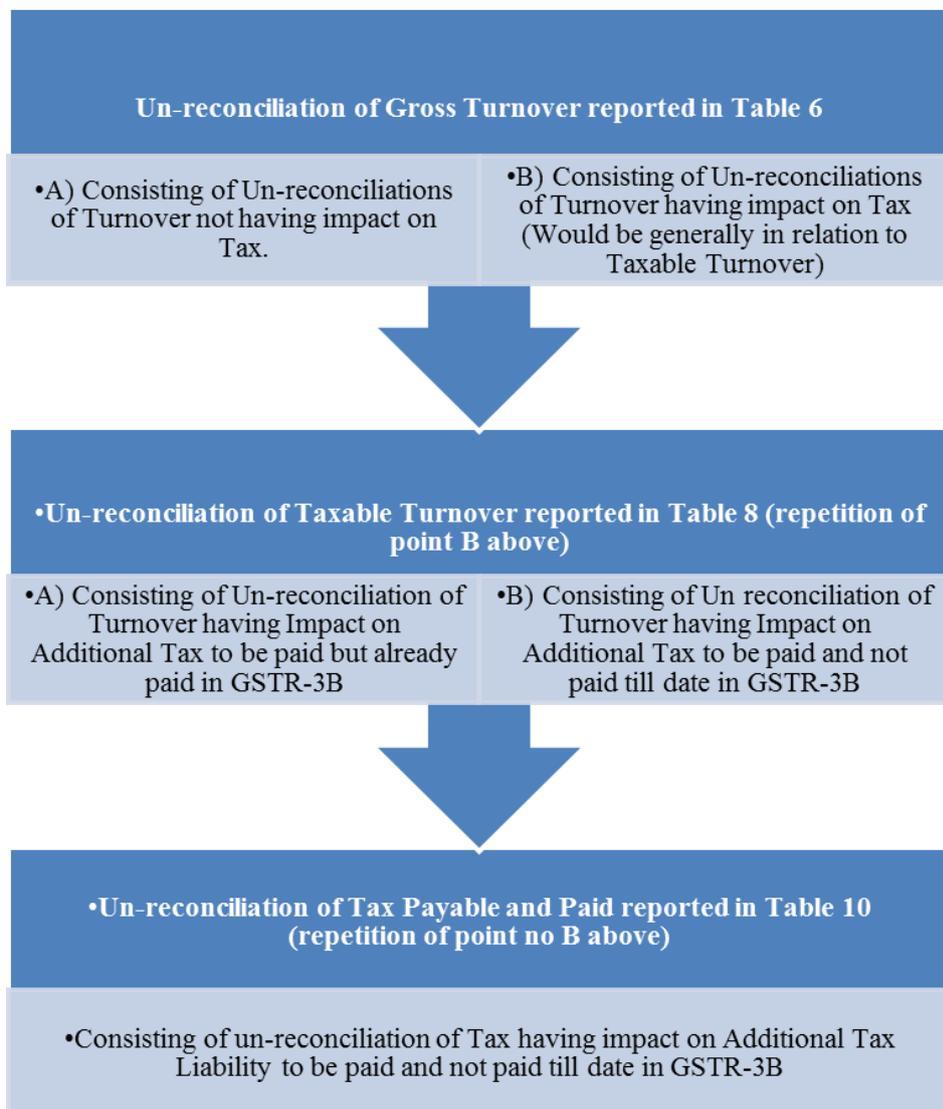
In the given cases, no reporting is required to be done in Table-11.

Further, in other types of non-reconciliations reported in Table-6, there can be an impact on the tax liability to be paid. The instances for the same shall principally cover such cases where there is difference in taxable turnover in GST returns and the adjusted total turnover. These set of differences which shall have impact on tax liability shall actually be a part of Table-8 again.

However, out of such non-reconciliation filtered out and reported in Table-8, a further filter of non-reconciliation shall be reported in Table-10 regarding tax liability which should have been paid on un-reconciled turnover reported in Table-8, but the same was not paid as declared in FORM GSTR-9, i.e., the annual return.

Since Table-11 requires the disclosure of additional tax liability payable and not paid on non-reconciliations, it is evident that such details shall be reported in Table-10 also.

Thus, it should be understood that flow of non-reconciliations to be reported in Tables-6, 8 and 10 shall be as under-



Common errors with illustration

The illustration shown above is used here again for reference.

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			
		Central tax	State tax / UT tax	Integrated Tax	Total
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

In the given case, though the total amount of non-reconciliation is in the negative, there are instances where for a unique reason the tax liability is either payable or has been paid in excess. It is suggested that under Table-11, the reasons due to which the tax liability should have been additionally paid but was not paid should be disclosed rate-wise.

Legally, in the given case, the registered person is required to pay additional tax of Rs. 7 (Rs. 2.5 as CGST, Rs. 2.5 as SGST and Rs. 2 as IGST). Further, he is entitled to claim refund of Rs. 7 additionally paid in case the same has not been subsequently adjusted in FORM GSTR-3B filed after September, 2018, on the basis of the Circular issued by CBIC in December, 2017.

B) For interest, penalty and late fees payable

The method suggested for calculating interest, late fees and penalty shall be employed to find the gross amounts and difference of amounts not reported in FORM GSTR-9 shall be required to be disclosed in the given Table.

➤ Conclusion

Thus, the amounts mentioned in the Table-10 above, should only be reported in Table-11. The method of calculating the data for the same has been dealt in detail above (in Table-10).

PART IV

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

Table-12: Reconciliation of Net ITC

12A. 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)

Pt. IV	Reconciliation of Input Tax Credit (ITC)		
12	Reconciliation of Net Input Tax Credit (ITC)		
12A	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)		

Table No.	Instructions
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons/ entities with presence over multiple States. Such persons/ entities will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/ entities having presence over multiple States.

Introduction

Table-12A of FORM GSTR-9C is the detail of ITC availed in the audited financial statements. This Table aims to collect information on the ITC availed in the books of accounts by the registered person, be it on inputs, input services and capital goods.

Analysis

➤ *Source of information*

Right in the beginning, information of all the tax account codes/ ledger names should be obtained from the registered person in which he enters the ITC availed. ITC availed (after reversals) as per the audited annual financial statement shall be declared here. There may be cases where multiple GSTINs (state-wise) registrations exist on the same PAN. This is common for persons/ entities with presence in multiple States. Such persons/ entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to the audited annual financial statement includes reference to books of accounts in case of persons/ entities having presence in multiple States. Further, it is important to understand from the registered person whether he has maintained separate ledgers for availing ITC for different States or a common one.

In case there are separate ledgers, the amounts are directly relatable to the GSTIN, the information shall be collated from the net of debits and credits (other than payments) of such account codes/ ledger names in the accounting software. However, in case he maintains a single accounting ledger for all the States, it will be a challenge for the auditor to certify the amount of ITC availed and thus a suitable assurance in the form of corroborative evidence should be taken by the auditor.

➤ *Validation of information*

The total of these columns should be reconciled with the balance of such accounts as they appear in trial balance of the particular GSTIN.

➤ *Revision required*

The column is derived from the books of accounts and thus there is no need to revise the same.

Illustration:

M/s. ABC Ltd. maintains in his books of account Madhya Pradesh GSTIN, three accounts for availment of ITC-CGST receivable, SGST receivable and IGST receivable, the amount for this column can be taken from such ledgers.

Notes to consider

The auditor might find it difficult to report the details in case where the registered person maintains a single account for all the tax payable and ITC receivable. Thus, there is no clear balance for either. In such cases, a detailed examination of such an account is required and a reconciliation of the entire account prepared in the following manner-

S.No.	Particular	Dr.	Cr.
1.	Opening Balance		X X X X
2.	Tax Payable		X X X X
2A.	Tax Payable reversed (credit notes)	X X X X	
3.	ITC availed	X X X X	
4.	ITC reversed	X X X X	
5.	ITC reclaimed		X X X X
6.	Tax paid by Cash Ledger	X X X X	
7.	Closing Balance		X X X X

Conclusion

Therefore, Table-12A of FORM GSTR-9C shall provide the amount of input tax credit availed during the year by the registered person as per his financial statement as being audited.

Table-12B. ITC booked in earlier financial years claimed in current financial year

12B	ITC booked in earlier financial years claimed in current financial year	(+)	
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Table No.	Instructions
12B	Any ITC which was booked in the audited annual financial statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared

	<p>here. This shall include transitional credit which was booked in earlier years but availed during financial year 2017-18.</p> <p>For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this Table.</p>
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Introduction

Any ITC which was booked in the audited annual financial statement of the earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed shall be declared here.

For the FY 2017-18, which is the first year of the GST, this column should ideally be zero. However, as per the instruction related to the form, transitional credit which was booked in earlier years but availed during financial year 2017-18, the same would be required to be reported here. This would leave the registered person with ITC which are carry forward balances of the earlier taxes.

However, from next year onwards, this Table would have the same amount as is reported in Table-12C of FORM GSTR-9C of the previous financial year.

Further, there can be a scenario also where an input tax credit which related to FY 2017-18 was not booked in the books in FY 2017-18 inadvertently and was also not claimed in FORM GSTR-3B of FY 2017-18. However, during reconciliation of returns during FY 2018-19 the claim was taken in both the books of accounts as well as FORM GSTR-3B filed during FY 2018-19, such cases would not be reported in this column, since this should be reported in Table-12A.

Analysis

➤ *Source of information*

The details shall be drawn from the claims of FORM GST TRAN-I which were booked in the earlier periods and not availed during the year.

E.g., Closing balance of Cenvat Credit in Excise

From FY 2018-19 and onwards, this Table would have the same amount as reported in Table-12C of FORM GSTR-9C of the previous financial year. Hopefully, the same should be auto populated by the system.

➤ *Validation of information*

1. Closing balances of credits appearing in the GST returns.
2. Details filed in FORM GST TRAN-1.
3. Transfer entries for carry over of pre-GST credits into GST credit ledgers.

Illustration

The input tax credit in FORM GST TRAN-I includes the following:

- (a) Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000/-
- (b) Input tax credit on opening stock availed in FORM GST TRAN-I: Rs. 4,00,000/-

Ans. The reporting which shall be made in this Table is as under-

- Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000/-
- FORM GST TRAN-1 credit on stock not recorded in books and hence would not form part of this Table but the credit would be required to be disclosed at Table-12A.

Notes to consider

- One should be cautious of not adding all transitional amounts as filed in FORM GST TRAN-1 of this Table.
- FORM GST TRAN-1 may include certain transactions impacting output tax which are also not required to be considered here.

Conclusion

Therefore, Table-12B of FORM GSTR-9 contains credits availed in the previous year in books of accounts but is availed in GST in the current year. The addition would increase the amount so as to reach the input tax credit as availed in FORM GSTR-3B during the year.

Table-12C: ITC booked in current financial year to be claimed in subsequent financial years.

12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
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Table No.	Instructions
12C	<p>Any ITC which has been booked in the audited annual financial statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this Table.</p>

Introduction

Table-12C of FORM GSTR-9C is the input tax credit which is booked in the current financial year but claimed in the returns of FORM GSTR-3B of next financial year (i.e., during the tax period April-September).

Analysis**➤ Source of information**

All amounts which are debited in the books of accounts but not claimed as credit should be reported here. The auditor must run a check to arrive at input tax credits which appear in the GST receivable ledgers but do not find place in the input tax register providing amounts as reported in FORM GSTR-3B. The difference of such unclaimed balance shall be reported here provided the credit has been taken in FORM GSTR-3B filed during eligible tax period (i.e., April-September of the next year)

➤ Validation of information

Value in this Table should be equal to the amount reported in Table-13 of FORM GSTR-9. For e.g., amount of credits relating to FY 2017-18 which are booked in FY 2018-19 only in the books of accounts shall be subtracted from such reported amount in Table-13 of FORM GSTR-9.

Illustration

The input tax credit as booked in the GST receivable ledger for the month of August, 2018 includes the following-

- (a) Input tax credit on purchase of inputs claimed in FORM GSTR-3B of August, 2018:
Rs. 3,00,000/-
- (b) Input tax credit on purchase of inputs claimed in FORM GSTR-3B of December, 2018:
Rs. 150,000/-
- (c) Input tax credit on purchase of inputs claimed in FORM GSTR-3B of May, 2019:
Rs. 2,00,000/-

Ans. The reporting of the following transactions shall be made in this Table-

- Input tax credit on purchase of inputs claimed in FORM GSTR-3B of May, 2019:
Rs. 2,00,000/-

Notes to consider

- Un-reconciled transactions appearing in FORM GSTR-2A should not be directly disclosed here. The amounts appearing in FORM GSTR-2A could be for various reasons including vendor uploading transactions with the wrong GSTIN. This credit cannot be availed by the recipient since the purchase does not belong to him though it appears in his FORM GSTR-2A.

Conclusion

Table-12C depicts the total input tax credit which is not availed during the current financial year in the returns but is duly booked in the books of accounts. The amount depicts the

eligible claim of input tax credit which the registered person failed to take in FORM GSTR-3B of the year under audit.

Table-12D: ITC availed as per audited financial statements or books of account

12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here.	<Auto>
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Table-12E: ITC claimed in annual return (FORM GSTR 9)

12E	ITC claimed in Annual Return (FORM GSTR-9)	
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Table No.	Instructions
12E	Net ITC available for utilization as declared in Table-7J of annual return (FORM GSTR-9) shall be declared here.

Introduction

Table-12E of FORM GSTR-9C, net ITC available for utilization as declared in Table-7J of annual return (FORM GSTR-9) shall be declared here.

Analysis

➤ Source of information

This should be auto populated from Table-7J of FORM GSTR-9.

Table-12F: Unreconciled ITC

12F	Un-reconciled ITC	ITC 1
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Introduction

Table-12F of FORM GSTR-9C provides for the difference between the ITC as computed from the books of account in Table-12D and ITC as claimed for the financial year in Table-7J of annual return.

Table-13: Reasons for un-reconciled difference in ITC

13	Reasons for un-reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
13	Reasons for non-reconciliation of ITC as per audited annual financial statement or books of account (Table-12D) and the net ITC (Table-12E) availed in the annual return (FORM GSTR-9) shall be specified here.

Analysis

➤ Source of information

While Table-12F is the differential value and has no source. Table-13 seeks reasons from the books of accounts and claims in FORM GSTR-9 for the difference. In case the difference is positive, possible reasons of difference should primarily include-

- the amount of ITC for the financial year claimed in Table-13 of the annual return form which is the amount of ITC claimed in returns of the subsequent year for the financial year in consideration.
- the amount of ITC available but not availed which can be divided in two further categories:
 - Ineligible ITC not availed in the return.
 - ITC which has lapsed as not availed.

In case the difference is negative, the matter is of concern as it is a clear indication of more than available ITC claimed. This could be on account of the following reasons-

- ITC of another GSTIN claimed in returns of GSTIN under audit
- IGST on imported goods used as FOC replacement warranty (customs duty + IGST paid by Exporter of original equipment.
- Duplicate ITC availed
- ITC of subsequent year where goods/services were received later but their invoice was received prior was availed.

➤ Validation of information

This Table does not have a parallel validation.

Conclusion

Therefore, Table-13 of FORM GSTR-9C looks out for the reason of difference between ITC claimed in the books of accounts and the annual return. This should keep a check on unwarranted ITC being availed by the registered person.

Table-14: Reconciliation of ITC declared in annual return (FORM GSTR-9) with ITC availed on expenses as per audited annual financial statement or books of account.

14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account			
	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			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			
O	Capital goods			
P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<<Auto>>
S	ITC claimed in Annual Return (GSTR9)			
T	Un-reconciled ITC (ITC 2)			

Table No.	Instructions
14	<p>This table is for reconciliation of ITC declared in the annual return (FORM GSTR-9) against the expenses booked in the audited annual financial statement or books of account. The various sub-heads specified under this Table are general expenses in the audited annual financial statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid/ was payable are to be declared here.</p> <p>For FY 2017-18, 2018-19 and 2019-20, the registered person shall have an option not to fill this Table.</p>
14R	Total ITC declared in Tables-14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the annual return (FORM GSTR-9) shall be declared here. Table-7J of the annual return (FORM GSTR-9) may be used for filing this Table.

Introduction

This Table is for reconciliation of ITC declared in the annual return (FORM GSTR-9) against the expenses booked in the audited annual financial statements or books of account. This point calls for examination of ITC detailed by the auditor to determine the available ITC as booked in ledgers of various expenses and in the books of accounts vis-a-vis the ITC availed by the registered person. In case the auditor finds any ineligible or unavailable ITC as per the books of accounts, suitable disclosures are to be made in this regard.

Analysis

➤ *Source of information*

The various sub-heads specified under this Table are general expenses in the audited annual financial statement or books of account on which ITC may or may not be available. The balances shall be available only on the detailed examination of such ledgers. The nomenclature of the ledgers may be different as per the books of accounts of the registered person. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid/ was payable are to be declared here.

Net ITC availed as declared in the annual return (FORM GSTR-9) shall be declared in Table 14S. Table 7J of the annual return (FORM GSTR-9) may be used for filing this Table.

➤ *Validation of information*

This is another way of representing the detail of Tables 12 and 13 of the same form. In Table-14, instead of examining the ITC on a global level, the point requires the registered person to provide expense ledger wise details of ITC claimed. This is a further examination on part of the auditor. The total of this Table in Column 3 of Table 14 should be equal to Table 12A of FORM GSTR-9C.

The Column-4 of Table 14 of FORM GSTR- 9 uses two words 'eligible' and 'availed'. Thus, it seems that the auditor has to include ITC which has been availed and the eligible one out of these (Table 14 of FORM GSTR-9C). Thus, the Government would get to know the in-eligible amounts availed by the ITC.

Illustration

The input tax credit as booked in purchase account is as follows-

- (a) ITC on purchase of raw material: Rs. 1,50,000/- (Purchase value: Rs. 20,00,000/-)
- (b) ITC on purchase of consumable: Rs. 60,000/- (Purchase value: Rs. 4,00,000/-)
- (c) ITC on purchase of food items for staff: Rs. 12,000/- (Purchase value: Rs. 1,20,000/-)
- (d) ITC availed by the registered person from the purchase account: Rs. 2,22,000/-

Ans. The reporting of the following transactions shall be made in this Table-

- Value of Purchases: Rs. 25,20,000/-
- Amount of Total ITC: Rs. 2,22,000/-
- Amount of eligible ITC availed: Rs. 2,10,000/-

Notes to consider

The auditor has to undertake the detailed examination of all expense in the asset ledger to ensure that the above values are correctly filed by the registered person. It is possible that in the absence of a detailed examination of each expense, such reporting of eligible ITC may not be reported correctly by the auditor.

Conclusion

This point requires detailed examination of the books of accounts to establish that registered person has taken only eligible ITC. Though looking into every tax invoice may not be possible for the auditor, he has to use auditing methodologies to locate the eligible ITC. This requires a sound accounting system so that this exercise can be completed in given time frames. The eligible ITC shall then be compared with the ITC availed in FORM GSTR-9 and differences thereof have to be explained by the registered person.

Table 15: Reasons for un-reconciled difference in ITC

15	Reasons for un - reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table-14R and ITC declared in Table-14S shall be specified here.

Introduction

Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.

Analysis

➤ Source of information

This Table is auto populated as it is a calculation of difference between Table-14R and 14S. This is the differential amount between the eligible availed ITC and the availed ITC. Difference can arise on any of the following counts-

- Ineligible ITC availed by the registered person.
- ITC booked in the books of accounts but not availed including ineligible ITC not availed (lapsed).

In case of a negative amount, such difference can arise on account of ITC booked in the books of accounts but availed in return FORM GSTR-3B of the subsequent year. This can be correlated with Table 13 of FORM GSTR-9.

➤ *Validation of information*

This column cannot be validated separately. The reason for such differences has to be explained.

Conclusion

This Table would bring the reasons for all differences in ITC availed and eligible ITC as per the books of accounts.

Table-16: Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)

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

Table No.	Instructions
16	Any amount which is payable due to reasons specified in Tables-13 and 15 above shall be declared here.

Introduction

Any amount which is payable due to reasons specified in Tables-13 and 15 above shall be declared here.

Analysis

This column captures tax which is to be paid on account of differences identified in Tables-13 and 15 above. Taxes paid in this Table should ideally be equal to the total of the differences of the two Tables (when positive). It is important to note that the Table also demand computation of interest and penalty on such ITC differential.

Part V: Auditor's recommendation on additional liability due to non-reconciliation

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					
	Interest					
	Late Fee					
	Penalty					
	Any other amount paid for supplies not included in Annual Return (FORM GSTR-9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (pl. specify)					

Instructions

- Part-V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the annual return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.
- Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in this form, through FORM DRC-03. Taxpayers shall select – Reconciliation StatementII in the drop down provided in FORM DRC-03. It may be noted that such liability shall be paid through electronic cash ledger only.

I. Introduction

- (1) This part of FORM GSTR-9C is the outcome of the independent review by an auditor. The term audit has been defined in the CGST Act as under-
- S.2(13) "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;*
- (2) The analysis of the definition of the word "audit" helps us understand the implications of the "audit" of a registered person under the CGST Act and the Rules framed thereunder-
- ✓ It is a systematic examination of records, returns and other documents;
 - ✓ Maintained or furnished by the registered person;
 - ✓ With a view to verifying the correctness of the turnover declared, taxes paid, refund claimed, and input tax credit availed, and also to assess his compliance.
- (3) The examination of records, returns and other documents maintained or furnished by the registered person could lead to several issues, some of which are listed below-
- (a) The turnovers declared in the return filed in FORM GSTR-3B could be at variance with the books, financials or turnovers now arrived;
 - (b) There could be a shortfall in taxes paid on account of incorrect availment of input taxes (viz., input tax credits may have been availed in respect of inward supplies on which tax credits are not allowed). Shortfall in output taxes may arise on account of incorrect outward supplies declared, incorrect accounting of debit/credit notes and such other reasons;
 - (c) Input taxes availed could be incorrect viz., on account of non-reversal of payments effected to suppliers within a period of 180 days. Credit may have been availed without receipt of goods or services etc.,
 - (d) Because of such issues among others that require the conduct of an audit.
- (4) An important issue to be borne in mind is that any additional liability recommended by the auditor is required to be discharged through cash. This fact can be borne out from the very heading to Part-V of the relevant FORM GSTR-9C.

II. Some issues

- (a) Is the additional liability determined by the auditor is binding on the registered person?
- ✓ At the outset, it can be inferred from the heading to Part-V of FORM GSTR-9C

that the auditor has only a recommendatory power, for recommendations given by the auditor may or may not be acceptable to the registered person. If it is acceptable, there are no further questions. But if it is not acceptable, then the question that arises is how can the auditor resolve the issue.

- ✓ At this juncture, the auditor needs to exercise his professional diligence, skill, legal knowledge, and care in determining any additional tax liability which is payable by the registered person. The registered person has the option to accept, reject or partially accept the recommended additional tax liability. In line with such recommendations, though not explicitly stated anywhere in the relevant FORM or GST laws –
 - (i) the registered person can choose to make the payment of the additional tax liability in full or in part;
 - (ii) the registered person can even choose to reject the complete recommendations of the auditor and not make the payment at all.
 - ✓ Before an auditor makes any recommendation about additional tax liability, due care must be exercised. For instance, in respect of commodity classification based on HSN if an auditor believes that there are two possibilities then he may choose to place reliance on an expert opinion. In such a situation, a proper disclosure may suffice.
 - ✓ However, when looked at from the perspective of the Government, the recommendation shall form the foundation for an effective show cause notice and enquiry into the affairs of the registered person.
- (b) Scope of the auditor's review for recommendation
- ✓ On a perusal of the heading to Part-V of FORM GSTR-9C, it appears that the responsibility of the auditor is restricted to report only the additional liability which may arise on account of non-reconciliation matters only. An auditor may take the view that he is not required to step into the shoes of an investigator to mine any un-disclosed supplies which are neither reported in the annual return nor in the financial statements. But at this point in time the instruction provided to fill in the relevant FORM GSTR-9C plays an important role.
 - ✓ Para 7 of the instructions provided to the relevant FORM GSTR-9C makes it clear that apart from recommending any additional tax liability that may arise on account of reconciliations matters, an auditor is also required to recommend-
 - cases relating to supplies that are not reported in the annual return;
 - refunds erroneously taken;
 - any outstanding demands that may be settled by the registered person.

- ✓ Performing this reconciliation accurately and analysing reasons for the differences falls within the domain of the auditor's responsibility. Making disclosures in respect of the differences which are accurate, exhaustive and understandable form an intrinsic part of his duty.
- (c) Reasons for additional tax liability
- ✓ Non-reconciliation between the books of accounts and the annual return can either occur (among other reasons) in respect of the turnover, tax paid or availment of the input tax credit. Any additional tax liability that may arise due to non-reconciliation between the turnovers or the tax payable on such turnovers would be reported in Table-11 of FORM GSTR-9C. Further, any additional tax liability arising due to non-reconciliation of the input tax credit are to be disclosed in Table-16 of FORM GSTR-9C. The amount reported in these two Tables would be summarized and reported in Part-V of the FORM GSTR-9C.
 - ✓ Additional tax liability may arise on account of any other amount paid for supplies not included in the annual return, erroneous refund to be paid back, outstanding demands to be settled, etc., (if any).
 - ✓ To sum up, some of the issues that are to be reported as part of the auditor's recommendations on additional liability due to non-reconciliation etc., may arise on account of the following issues:

(a) *Additional tax liability due to non-reconciliation of turnover or tax liability (including reverse charge) between the audited financial statements and annual returns (as per Table-11 of FORM GSTR-9C)*

This additional tax amount to be paid but not paid due to non-reconciliation is reported in Table No.11 of FORM GSTR-9C. For instance, this may occur due to the following reasons, among others-

- (i) Non-reconciliation of the turnover and taxable turnover between the audited financial statements and the annual return (as per Table No. 6 and 8 of FORM GSTR-9C) - This situation arises because the audited financial statements and FORM GSTR-1 may not match. This is because the turnovers of outward supply in the annual return is advised to be borrowed from FORM GSTR-1 within the instructions of the annual return.
- (ii) Non-reconciliation of the tax paid (both under forward and reverse charge) between the audited financial statements and the annual return (as per Table No.10 of FORM GSTR-9C). This situation arises on account of the fact that the audited financial statements and FORM GSTR-3B may not reconcile. This is because the actual tax paid is only given in FORM GSTR-3B which is used as the basis for reflecting the amount of tax paid in the annual return. Further, the mismatch can arise on account of difference of

tax rate as applied by the registered person and such rates as are determined by the auditor to be applicable on outward supply turnovers.

- (iii) Situations containing non-reconciliation between FORM GSTR-3B, FORM GSTR-1 and audited financial statements.

In an ideal scenario, the differential tax payable on account of reconciliation should be nil. However, various situations can cause the differences in Tables-6, 8 and 10. It needs to be analysed which of these differences are required to be reported as part of the auditor's recommendations. These situations are given below-

- **Situation 1: FORM GSTR-1 matches with the audited financials but differs with FORM GSTR-3B**

It is possible that FORM GSTR-1 matches with the audited financials as regards the tax payable, but the turnovers reflected in FORM GSTR-3B may differ when compared to the books of accounts as regards the tax paid. In this situation, even though Table No.6 and 8 may not reflect any differences as given in point (i) above, Table No. 10 would reflect a difference of the amount of tax to be paid and tax actually paid. Therefore, any tax payable occurring due to this reconciliation issue would automatically form part of Table No.11 and thereby auditor's recommendations in Part-V would have to be made. The auditor would do so only after taking a judgement call that the amounts reported in FORM GSTR-1 and the audited financial statements were correct and that the reporting in FORM GSTR-3B was incorrect.

- **Situation 2: FORM GSTR-3B matches with the audited financial statements but differs with FORM GSTR-1**

There can also arise a situation that the turnover and tax payable in FORM GSTR-3B matches with the audited financial statements but there is a difference between FORM GSTR-1 and the audited financial statements with regard to the same. In this case, the differences would most clearly be evident from Tables-6 and 8 which effectively compares the turnover between FORM GSTR-1 and the audited financial statements. This difference would be reported as part of Table 10 which derives the tax payable from Tables-6 and 8 which effectively takes into account FORM GSTR-1. Therefore, this should form part of the additional amount of tax payable and the auditor's recommendations. The auditor would do so only after taking a judgement call that the amounts reported in FORM GSTR-3B were incorrect as compared to that reported in FORM GSTR-1 was correct. Of course, if the reverse is true, then even though there is a difference between the two, the auditor's recommendation in Part-V of the FORM GSTR-9C would not contain the said amount as the additional tax liability.

- **Situation 3: FORM GSTR-1 and FORM GSTR-3B *inter se* matching but not with the audited financials.**

There can be a situation that the FORM GSTR-3B and FORM GSTR-1 match with each other but there is a difference when they are compared to the audited financial statements. Such differences would figure in all the Tables-6, 8 and 10 as such turnover if lower than the audited financials, will result in short payment of tax (if differences thereof are not explained). The cause of the differences needs to be clearly identified and understood. Table-10 while taking the values after considering the audited financial statements would be compared with the actual tax paid as per FORM GSTR-3B. As there is a difference between the audited financial statements and FORM GSTR-3B, an un-reconciled difference would be shown in Table-10. Therefore, this should form part of additional amount of tax payable as per the auditor's recommendations in Part-V of the FORM GSTR-9C.

- (iv) Separate calculation for tax under both forward and reverse charge. It must be noted that in this context, the reconciliation would be made with regard to the following-

- Total turnover and taxable turnover.
- Output tax liability.
- Liability under reverse charge.

The amount paid as output tax liability computed for both points (a) and (b) cited above and tax under reverse charge as per point (c) are required to be disclosed and reconciled separately between FORM GSTR-3B and the audited financial statements in Table-9. Any additional amount that is liable to be paid on account of the fact that such amounts would be disclosed together in Table No.11 and auditor's recommendations in Part-V of the FORM GSTR-9C.

- (v) Rate-wise break up

Any additional tax liability that occurs either under forward charge or reverse charge needs to be shown on rate-wise basis. In fact, the tax payable in Table No.9 which is the source of the reconciliation also demands that tax payable be disclosed on a rate-wise basis. This rate-wise breakup of additional tax payable would be shown in Table No.11 and the auditor's recommendation in Part-V of the FORM GSTR-9C.

- (b) ***Additional tax liability because of non-reconciliation of input tax credit between the audited financial statements and annual returns (as per Table No. 16 of FORM GSTR-9C)***

The additional tax to be paid due to non-reconciliation is reported in Table No.16 of FORM GSTR-9C. The non-reconciliation difference in this Table can occur due to the following reasons-

- (i) Non-reconciliation of the credits which are booked in one financial year and claimed in the subsequent financial year with regard to the audited financial statements and the annual return (as per Table-13 of FORM GSTR-9C);
- (ii) Non-reconciliation of the credits between the head-wise expenses reported in the audited financial statements and that in the annual return (as per Table-15 of FORM GSTR-9C)

It can be noted here that the amount reported in the annual return is only a summation of the amounts reported in the FORM GSTR-3B.

Difference of input tax credit in FORM GSTR-3B and the books of accounts

There can be a situation where FORM GSTR-3B does not match with the audited financial statements or books of accounts with regard to the input tax credit. Such differences can be depicted under Tables-13 and 15. The cause of such differences need to be clearly identified. These Tables while taking the values after considering the audited financial statements would be compared with the actual tax paid as per FORM GSTR-3B. As there is a difference between the audited financial statements and FORM GSTR-3B, an un-reconciled difference would be shown in both Tables-13 and 15. If the input tax credit claimed is higher in FORM GSTR-3B than the books of accounts, then there may be an additional liability of making the payment of extra credit availed. Then, this should form part of the additional amount of tax payable as per Table-16 of FORM GSTR-9C and the auditor's recommendations in Part-V of the FORM GSTR-9C. The auditor would do so only after taking a judgement that the amounts reported in FORM GSTR-3B are incorrect and that the amounts reported in the financial statements are correct. Of course, if the reverse is true, then even though there is a difference between the two, the auditor's recommendation would not show the said amount as additional tax liability.

No rate-wise breakup

No rate-wise breakup is required in Table-16 with regard to the additional tax payable due to the non-reconciliation of the input tax credit as per Tables-13 and 15.

(c) *Any other amount to be paid for supplies not included in the annual return*

There can arise situations wherein certain other supplies can result in the payment of additional tax liability even though they were not flagged as reconciliation differences as discussed above. These pertain to supplies which are not disclosed in the annual return and which may not have been the part of turnover as per the audited financial statements. For instance-

- (1) If supplies which are part of Schedule-I, i.e., supplies without consideration are not disclosed in the annual return, then they may not create any reconciliation differences as they are not reflected in the financial statements.

- (2) As regards receipt of taxable advances which form part of the balance sheet of a registered person but are not a part of his turnover. If a registered person is liable to pay taxes on the advances received during the year does not disclose the same in his monthly return and thereby his annual return, then he can fall within this reporting Table. This is because the advances not disclosed would neither be part of the turnover which is the starting point of the reconciliation nor the supplies as disclosed in the annual return. Therefore, they would not cause a reconciliation difference.

The above illustrative cases would not have been reported in the books or in returns and would not cause any reconciliation differences. However, paying taxes on these supplies is mandatory even though they have been missed out in the annual return. Thereby, they would be reported as supplies not included in the annual return. Any interest and penalty which may have to be paid on them would also be disclosed separately. Therefore, all such supplies which are not part of the turnover of the registered Person as per the audited financial statements and are missed out in the annual return will be reported here.

(d) *Erroneous refund to be paid back*

Any refund that has been obtained but ideally it should not have been obtained is reported here. It may arise due to refund of the electronic credit ledger or of the cash ledger. This erroneous refund could have been obtained because of some situation, which are:

- (a) The department had paid the registered person provisional refund of 90% based on the *prima facie* scrutiny of the application for refund in case of zero-rated supply or inverted duty structure. But upon complete scrutiny of the application, a defect may be noticed in the given application which may have led to the rejection of the refund. In this case, the refund already granted provisionally is liable to be refunded back to the department, if it is not already raised as an outstanding demand to be settled as discussed in point (e) below.
- (b) A registered person may happen to avail input tax credit in a particular month which is liable to be reversed at the end of the year in terms of Rule 42 and Rule 43 upon making the complete true-up calculation. It may also be possible that the input credit was blocked on any inward supply on which the input tax credit was taken by the registered person. In this situation, if the registered person had obtained complete refund of the input tax credit taken earlier, then he is liable to refund the amount to the extent the input tax credit was not admissible to him.

The above are only illustrative situations wherein a registered person is required to pay the amount which was erroneously refunded to him. In these cases, if the registered person is liable to pay any interest or penalty on the same, then the said amount would

also be required to be shown as part of the auditor's recommendations in Part-V of the FORM GSTR-9C.

(e) Outstanding demands to be settled

Any amount which is liable to be paid to the Government which had been raised as a demand is required to be disclosed. Any adjudication order passed against the registered person which had not been appealed against and which entails payment of tax liability by the registered person is to be reported here. Further, any appellate order passed which requires the registered person to make payment of tax liability would also be disclosed here. However, any order passed which entails requirement of payment of taxes, but which forms a subject matter of appeal before any higher authority cannot be considered as an outstanding demand. These would not be reported as part of additional tax liability.

(f) Interest, penalty and late fees

Interest

Interest is not automatically calculated for the purpose of payment in FORM GSTR-3B. The auditor is required to compute such additional interest liability that may arise due to any of the above situations. This would be part of Table 11 and auditor's recommendations in Part-V of the FORM GSTR-9C as well.

Penalty

Penalty can be imposed on a registered person if he contravenes any of the provisions of the CGST Act. For instance, as per section 122, if the taxable person collects any amount, but fails to pay the same to the Government beyond a period of three months from the date on which the payment becomes due would be liable to penalty of Rs. 10,000/- per Act or the amount of tax evaded, whichever is higher. Obviously, if the same was done for any reason other than fraud or any wilful misstatement or suppression of facts to evade tax, the penalty would reduce to Rs. 10,000/- per Act or 10% of the tax whichever is higher. In such a situation, the auditor is under an obligation to disclose such liabilities, if payable, by the registered person in both Table-11 and the auditor's recommendations.

Late fees

This includes the fee for delayed filing of FORM GSTR-3B and FORM GSTR-1. FORM GSTR-3B automatically calculates such amount of late fees based on the due date and actual date of filing the return. As regards FORM GSTR-1, the due dates were extended from time to time. Therefore, no late fees would be calculated if FORM GSTR-1 is furnished by such extended dates.

(g) Other (Please specify)

If there are any other reasons why additional tax liability may be liable to be paid by the registered person which have not been covered above and which comes to the notice of the auditor would be disclosed in this field. Rather than merely showing the tax amount, the exact reason why the additional tax liability is liable to be paid would also have to be specified.

Mechanism of payment

There are no provisions under the law which prescribes the mechanism of payment of the additional tax liability that may arise out of reconciliation. However, upon the analysis of the form it can be seen that it requires mandatory payment of the differential tax liability in cash. It does not permit utilization of the balance in electronic credit ledger for such payments.

Where the tax paid is incorrectly shown on the lower side in FORM GSTR-3B, then Table-9 of FORM GSTR-9 would show a higher tax payable (which would be as per the consolidated figures of outward supplies in FORM GSTR-1 and inward reverse charge supplies in FORM GSTR-3B) than total tax paid in cash and ITC (actual tax paid in FORM GSTR-3B). In this situation, the differential tax payable can be paid through FORM GST DRC-03.

In FORM GSTR-9C, the tax payable after reconciliation with the books of accounts are to be disclosed in Table-9 of FORM GSTR-9C. This tax payable is to be compared with the tax paid as per FORM GSTR-3B. Assuming the books of accounts to be in line with FORM GSTR-1 and FORM GSTR-3B incorrectly showing a lower tax amount, the tax payable in Table-9 of FORM GSTR-9C will be the same as the tax payable in Table 9 of FORM GSTR-9. In this case, the un-reconciled tax difference in Table-10 of FORM GSTR-9C will show the same amount as the differential tax payable in Table-9 of FORM GSTR-9. One should be careful here that if such differential tax is already paid through FORM GST DRC-03 while reconciling FORM GSTR-9, the same difference arising in FORM GSTR-9C should not be subjected to additional liability as per the auditor's recommendations in Part-V of FORM GSTR-9C.

Understanding "Verification" under FORM GSTR-9C

- I. In terms of Rule 80(3) of the CGST Rules the relevant "verification" portion to the Reconciliation Statement in FORM GSTR-9C reads as under-

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 therefrom.

**(Signature and stamp/ seal of auditor)	
Place:	
Name of 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

- II. The verification part of the said FORM GSTR-9C is quite crucial in so far as the GST auditor is concerned. Several important words and phrases are used in this part, such as **“solemnly affirm, declare, true and correct, knowledge and belief, conceal etc.”** An understanding of the true import of these words is crucial for understanding the manner in which the Auditor is expected to meet his professional obligation.
- III. According to the Random House Dictionary the word **solemn** means “serious or earnest” and the word **affirm** means “confirm, establish or ratify”. A solemn affirmation is ratification under a statute.
- IV. In the case of ***Dilip N. Shroff V. Joint Commissioner of Income tax, 2007 (219) ELT 15 (SC)*** their lordships extracted the meaning of the word “conceal” from the Law Lexicon which reads-

“to hide or keep secret. The word “conceal” is con+celare which implies to hide. It means to hide or withdraw from observation; to cover or keep from sight; to prevent the discovery of; to withhold knowledge of. The offence of concealment is, thus, a direct attempt to hide an item of income or a portion thereof from the knowledge of the income tax authorities.”

In the very same judgement in para 67 and 68 the Hon'ble Supreme Court goes on to analyse certain phrases, which are relevant and reproduced below-

'Concealment of income' and 'furnishing of inaccurate particulars' are different. Both concealment and furnishing inaccurate particulars refer to deliberate act on the part of the registered person. A mere omission or negligence would not constitute a deliberate act of suppressio veri or suggestio falsi. Although it may not be very accurate or apt but suppressio veri would amount to concealment, suggestio falsi would amount to furnishing of inaccurate particulars.

The authorities did not arrive at a finding that the consideration amount fixed for the sale of property was wholly inadequate. The authorities also do not show the inaccurate particulars furnished by the appellant. They also do not state what should have been the accepted principles of valuation. We, therefore, do not accept the submissions of the learned Additional Solicitor General that concealment or furnishing of inaccurate particulars would overlap each other, the same would not mean that they do not represent different concepts. Had they not been so, the parliament would not have used the different terminologies.

To conclude, *malafide* or *dolus molus* becomes a pre-requisite to prove an act of concealment. While every action is not *malafide*-negligence, carelessness, recklessness coupled with intention to withhold information tantamount to *malafide*. It is reiterated that mere failure to provide information or providing inaccurate information also would not amount to concealment.

V. Certificate and report:

A certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. It is certification of factual accuracy of what is stated therein.

A report, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting an opinion thereon. It is giving an opinion based on factual data and that is arrived at by the application of due care and skill.

VI. Understanding some words according to The Law Lexicon by P Ramanatha Aiyar (1997 Edition):

- (a) **Attest (page 166):** To bear witness to; to certify; to affirm to be true or genuine; to make a solemn declaration in words or writing to support a fact; to certify to the verity of a copy of a public document;
- (b) **Verify (page 1955):** To assent or approve to be true; to ascertain, confirm or test the truth or accuracy of;

(c) **Certify (page 296):** To give certain knowledge or information of; make evident; vouch for the truth of; attest; to make statement as to matter of fact; to testify in writing; give a certificate of; make a declaration about in writing under hand, or hand and seal; to make attestation either in writing or orally as to the truth or excellence of something.

VII. The relevant portion of Volume I.A of the Compendium of Engagement and Quality Control Standards (13th Edition, 2019), page 3, Para 5) reads - While discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

Conclusion

A conjoint reading and understanding of all aspects cited *supra*, many experts are of the view that the exercise of verification may actually mean an **attest** function is being carried out while a few others believe that it is an exercise of verification of information.

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

The above has been inserted in the revised FORM GSTR-9C to enable the taxpayer to upload FORM GSTR-9C certified by the auditor as there is no separate online filing portal available from which the auditor may independently upload the FORM GSTR-9C.

Part B – FORM GSTR-9C – An analysis

Module I – Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit and GST audit certification

I. Hierarchy of Clauses for Certification

Step 1: 'Examine' the 'financials'

Step 2: Based on such 'audit', report that books of account, etc. under the GST Acts have or have not been maintained.

Step 3: Report the following observations/ comments/ discrepancies/ inconsistencies, if any:

Step 3(b): Report further whether:

Step 3(b)(A): Information and explanations has/ has not been obtained which were necessary.

Step 3(b)(B): Proper books of accounts have/ have not been kept.

Step 3(b)(C): Financials are/ are not in agreement with the books.

Step 4: State whether FORM GSTR-9C and other relevant documents are annexed.

Step 5: Particulars in FORM GSTR-9C are 'true and correct' subject to observations/ qualifications:

Step 5(a):

Step 5(b): *refer list of matter's for Auditor's attention listed below*.....

Step 5(c):

Step 6: Signature and Stamp and Seal of the Auditor duly disclosing the date, place and full address.

II. Introduction

This module about the GST auditor clarifies that the auditor has to travel the path of six steps given above, in which each step spells his various duties and responsibilities. It is important to note that these duties and responsibilities are not without a boundary. Inbuilt into them is 'dependency' as well as 'limitation' that sets the boundary for the auditor to discharge his duties and responsibilities, which give the required focus and direction to his efforts. He should have a clear idea of the objective he has to accomplish. The GST auditor has to express his views or opinion(s) on matters ranging from the books and records that are presented for this audit certification all the way to specific observations (listed and discussed later) for the attention of a discerning reader.

III. Financials

- (a) Financial statements or 'financials' as colloquially called, advert to balance sheet, profit and loss account and notes appended to it together with cash flow Statements, if applicable. It is important to note that the registered person is a person and not a legal entity (viz., Legal Entity could be Hindustan Unilever Limited, whereas the Registered Person could be GSTIN based unit- say, its tea factory located at Dharwad, in Karnataka). 'Financials' are not prepared exclusively for the registered person in the normal course whereas it would be at the legal entity level. Where a single registration is involved, the 'Financials' of

the legal entity would be the 'Financials' of the registered person also. However, where multiple registrations are involved, 'Financials' continues to be in respect of the legal entity and not to be prepared again in respect of each registered person. Further, where cashflow statement is not available as it is not required to be prepared, there would be no responsibility to append the same. The language in the certificate may be understood as 'to be provided where available'. Further, it is suggested that in addition to the financial statements of the legal entity, GSTIN-wise trial balance (attested by management only) may be appended along with the same file and filed along with audit certificate.

- (b) Reference may be made to the **instructions** to the Table-5A of FORM GSTR-9C – which says, “*entities in multiple States would have to internally derive their GSTIN wise turnover and declare the same*”. Thus, one has to derive information from the 'Financials' of the legal entity to the extent it provides information pertaining to each registered person. In simple words, the trial balance of the legal entity may be split “registration-wise” as information pertaining to each registered person for conduct of this audit certification exercise.

IV. Audit

Nature of the exercise involved in this audit certification is not to be circumscribed by the language in definition of the word 'audit' in section 2(13) of the CGST Act. Members' knowledge, training and experience as an expert auditor in carrying out audits would bear out this audit certification exercise.

V. Report on books

1. The maintenance of books of accounts, records and documents as required under the law are quite extensive and cast the responsibility of scanning the length and breadth of the GST law and identifying those that ought to be maintained. And then report whether all those-
 - (a) books of accounts;
 - (b) records; and
 - (c) documents.have or have not been maintained. 'Maintained' pre-supposes habitual and contemporaneous practice. It is not the same as specially or specifically prepared, compiled or extracted from such books and records that are not directly and expressly in conformity with the GST laws.
2. Having mentioned that the GST law itself does not list the books of accounts, records and documents, it is apt to mention that section 35 of the CGST Act read with Rule 80 of the CGST Rules specifies 'accounts and other records' which are not intended to be

exhaustive and would not limit examination by the auditor. Therefore, the auditor is to report not only whether they are 'maintained', but also specifically which of them are not maintained or deficient. This is a very important aspect that an auditor is to pay attention to and take the benefit of carefully making known his considered views on this aspect of books.

VI. Report of information

Here, an auditor is to report on three aspects concerning the books of accounts that have been reviewed. These call for a statement of fact gathered by the auditor after his examination of books and records presented for his consideration. It is an opinion that the auditor is required to express of these specific aspects, which are-

- (i) Whether he has obtained or not obtained the information/ explanations which to the best of his knowledge are necessary for the purpose of conducting his audit. It must be noted in specific that even if he has obtained information/ explanations partially such facts need a specific disclosure;
- (ii) Whether proper books of accounts have or have not been kept by the registered person as it appears on his examination;
- (iii) A certification of the fact as to whether the 'financials' and the cash flow statement (only if applicable) are or are not in agreement with the books of accounts. A further affirmation of the facts as to whether the books of accounts have or have not been maintained at the principal place of business and at the relevant additional place of business **within the State**.

Thus, this Part requires an auditor to exercise abundant caution, because, these are matters of opinion that are being reported. Needless to say, that any non-compliance/ qualification or disclosure in this Part has serious financial ramifications that have bearing on the course of audit proceedings.

VII. Documents to be furnished under section 35(5) and reconciliation statement under section 44(2) of the CGST Act and annexed

1. A detailed discussion in respect of documents to be furnished and the reconciliation statement in FORM GSTR-9C have already been provided elsewhere in this book. The word "document" has to be understood carefully-
 - ✓ It is any decipherable information which is set down in a lasting form;
 - ✓ Any matter expressed or described upon substance by means of a written form and includes agreements, contracts, letters etc.,
 - ✓ Any express or implied understanding of parties written or recorded, electronically, digitally or otherwise.

2. At the end of such an exercise the relevant FORM GSTR-9C duly filled in and signed/ sealed by the auditor needs to be annexed to this certification.

VIII. Auditor's opinion

- (a) In order to understand the nuances of the aspects contained in this Table. One may consider the issues arising in paragraph 3 of FORM 3CB of the Income tax Rules, 1962. In this Form, the Auditor has to report that the financial statements audited by him give a 'true and fair' view. The requirement in paragraph 3 of FORM 3CA and paragraph 5 of FORM 3CB relating to particulars in FORM 3CD is that the auditor should report that these particulars in FORM 3CD are "true and correct". The terminology "true and fair" is widely understood though not defined even under the Companies Act, 1956 (2013). On the other hand, the words "true and correct" lay emphasis on factual accuracy of the information. In this context reference is invited to AS-1 and AS(IT)-I relating to disclosure of accounting policies. These standards recognise that the major considerations governing the selection and application of accounting policies are (i) prudence, (ii) substance over form and (iii) materiality. Therefore, while giving particulars in FORM 3CD these aspects should be kept in view. In particular, considering the nature of particulars to be given in FORM 3CD, the aspect of materiality has to be given due consideration. In other words, particulars should be given in respect of material items and the auditor should ensure factual accuracy in regard to these particulars.
- (b) The word "audit" means formation of an 'opinion'. 'Opinion' requires application of professional judgement. Further, an auditor is required to comply with auditing standards issued by the ICAI. Auditing standards follow different principles like materiality, controls, audit evidence etc. 'Opinion' based on professional judgement reflects a 'true and fair' view and not 'true and correct' view. Further interpretation and application of law requires professional judgement and hence opinion based on this needs to be true and fair. 'True and correct' view normally is a 'certification' based on arithmetical accuracy rather than an opinion. Hence, several experts are of the view that an audit opinion needs to be a 'true and fair' view and not a 'true and correct' view.
- (c) These discussions would be a futile exercise without understanding the relevant portions of the certificate part which reads-
 - ✓ **Para 5 of Part B.1 of FORM GSTR-9C:** "In *my/ our opinion and to the best of *my/ our information and according to explanations given to *me/ us, the particulars given in the said FORM GSTR-9C are **true and fair** subject to following observations/ qualifications, if any":
 - ✓ **Para 4 of Part B.2 of FORM GSTR-9C:** "In *my/ our opinion and to the best of *my/our information and according to examination of books of account including

other relevant documents and explanations given to *me/ us, the particulars given in the said FORM GSTR-9C are **true and fair** subject to the following observations/ qualifications, if any”.

- (d) The above two extracts from Part-B of FORM GSTR-9C reflects that the primary objective of the auditor is to **certify the truth and fairness** of FORM GSTR-9C. This also augers well with the title of Part-B of FORM GSTR-9C which calls it a certificate in synchronization with Rule 80(3), which requires reconciliation to be **duly certified**. It further reveals that the quantum of assurance required is “absolute” and not “reasonable”; since the Part-A of the FORM GSTR-9C the Chartered Accountant verifies the values reported are “**true and correct**”. Thus, one can discern that the “engagement risk” sought to be targeted is zero and not even near zero.
- (e) The registered person is required to keep and maintain **true and correct** account of his books and records under section 35(1) of the CGST Act in contrast to section 128 of the Companies Act which only requires keeping books of accounts which give **true and fair** view of the state of affairs. Hence, absolute assurance about particulars of FORM GSTR-9C can come only if the records and documents forming part of the books of account, the examination of which are the source of this certification, are also absolutely risk free and not nearly risk free. Therefore, from end-to-end absolute assurance is the essence. Certification is also required in FORM GSTR-9C regarding-
- (i) Maintenance/ non-maintenance of books of accounts as required by Acts/ Rules/ Notifications.
 - (ii) Agreement of books of accounts with balance sheet, profit and loss account and cash flow statement.
 - (iii) Documents prescribed under section 35(5) have been annexed and reconciliation required to be furnished under section 44(2) in the FORM GSTR-9C have been annexed.
- (f) It is not required to be certified whether FORM GSTR-9 and the annual audited accounts have been annexed because FORM GSTR-9 and annual audited accounts as per section 44(2) are required to be furnished along with FORM GSTR-9C and not annexed with FORM GSTR-9C, being independent attachments and not enclosures, due to apparent difference in ownership of respective documents.
- (g) Further, Part B.1 and B.2 also requires:
- (i) Examination of balance sheet, profit and loss account and cash flow statement.
 - (ii) Forming opinion regarding keeping of proper books of accounts so far as it appears from the examination of those books of accounts.

- (iii) Obtaining of information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit.
- (iv) Signature and stamp/ seal of the auditor.
- (h) In order to understand the reason for maintaining true and correct records at verification section of PART-A, one may look again at the points (a) to (d) as stated above and read them with the definition of audit under section 2(13) of the CGST Act which states that-
 "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 balance sheet, profit and loss account and cash flow statement.	This is part of the overall examination of records, returns and documents under section 2(13).
Forming opinion regarding keeping of proper books of accounts so far as it appears from the examination of those books of accounts.	"Proper Books" books of accounts here indicate to comment upon " true and correct " account of records and documents specified in section 35(1) and prescribed in Rule 56.
Obtaining of information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit.	Unless necessary information and explanation is obtained, truth and correctness and not truth and fairness of turnover declared, taxes paid, refund claimed, and input tax credit availed cannot be commented upon. Part II of FORM GSTR-9C deals with reconciliation of turnover, Part III deals with reconciliation of taxes paid and Part IV deals with input taxes paid.
Signature and stamp/ seal of the auditor.	Because "Audit" under section 2(13) is the scope of Part-B of FORM GSTR-9C.

The above discussion clearly demarcates that "audit" as per section 2(13) is the scope of engagement and not audit as per the ICAI standards which aim at reasonable assurance. This however does not exonerate the members of the ICAI from responsibility to perform the statutory attest function required by Part-B of FORM GSTR-9C to be performed without following the auditing and assurance standards and guidance notes on the attest function. Rather the auditor in this situation is required to "look ahead" of those standards and not merely to "look beyond" and "look along" those standards.

- (i) Now, having perused those notes, the auditor needs to bring necessary matters to attention of the revenue authorities. Refer para IX below regarding details of these matters.
- (j) It is important to bear in mind that where the auditor is expressing an 'opinion', it involves exercise of professional judgement. As such, it covers a range of responsibilities with necessary limitations too. While it covers the duty to report omission of essential matters, it also excludes the doubt whether an investigation needs to be undertaken. Further, the whole of FORM GSTR-9C is issued under the Auditor's authority. It is not merely the numerical data but the description of various categories that come within his scope. Accordingly, an auditor's seal of approval covers all aspects in FORM GSTR-9C. It is for this reason that qualifications alone are not sufficient to be mentioned in the 'opinion' but every other aspect to which attention of revenue authorities need to be drawn to, would be required.

IX. Matters for attention

Refer **Annexure A** infra comprising the suggested range or spectrum of matters to disclose or report.

X. Conclusion

An attempt has been made in this Chapter to analyse and understand the complex issues related to the activity of auditing so as to provide a basic understanding to the reader. This Chapter provides only an insight while there could be several issues that may arise in complex real time situations or business environment. The auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Module II- Certification in cases where the reconciliation statement in (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts

1. Hierarchy of clauses for certificate

Step 1: Audit conducted by another auditor and a copy of the audit report and financials to be annexed.

Step 2: Even without conducting audit, report whether books of accounts, etc. under the Act have/ have not been maintained; It means the auditor has to analyse, understand and check the nature of books and records that are to be maintained or have/ have not been maintained.

Step 3: Report the following observations/ comments/ discrepancies/ inconsistencies.

Step 4: State whether FORM GSTR-9C is annexed.

Step 5(a): Now 'examine' books of accounts and other relevant documents.

Step 5(b): Then, particulars in FORM GSTR-9C are true and correct subject to-

Step 5l:

Step 5(d):refer list of matter's for the auditor's attention listed below.....

Step 5l:

Step 6: Signature and stamp and seal of the auditor duly disclosing the date, place and full address.

2. Introduction

In this **Module**, it is expected that the auditor accomplishes the 6 steps given above, each of which contain various responsibilities. Without repeating, notes under **Module I** may be referred to in respect of this **Module** too. Some of the key differences are as follows-

- Step 3 in **Module I** involves report about the quality of books audited;
- Step 5 in **Module II** cited supra involves examination of books and documents required for the GST audit certification;

3. Financials

Here, financials having been audited by a different auditor, refers to balance sheet, profit and loss account and cash flow Statement along with notes forming part of the audit under that other law. A copy of that entire document is required to be annexed to the FORM GSTR-9C by the auditor along GSTIN-wise trial balance (attested by management only) may be appended along with the same file and filed along with audit certificate.

4. Report on books

Considering that audit has been conducted by another auditor, this module requires the auditor to first report on the books presented for his review and then attend to other matters. Notes regarding 'Report on Books' under **Module I** may be referred. Please note that '**Report on Information**' is not required in **Module II**.

5. Documents to be furnished under section 35(5) and reconciliation statement under section 44(2) of the CGST Act and annexed.

6. Audit examination

Here, an auditor is required to undertake the same exercise for purposes of the GST audit certification. The books and records that he has not audited are still available to be verified/ examined as the same responsibility is ultimately placed on the GST auditor.

7. Auditor's opinion

Reference may be made to Notes on 'Auditor's Opinion' under **Module I**. Please note that the expectation from the auditor whether under **Module I or Module II** is almost the same. The final result being the auditor's opinion on matters listed in FORM GSTR-9C is reached *albeit* by different routes. Exercise of professional judgement is the same in both modules.

8. Matters for attention

Refer **Annexure A** infra comprising the range or spectrum of matters to disclose or report.

9. Conclusion

An attempt has been made in both these modules that are to be read in conjunction and, thereafter, analyse and understand the complex issues. This Chapter only provides an insight while there could be several issues that may arise in complex real time situations or business environment. An auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Annexure A (as mentioned above) (Illustrative list of issues that may warrant reporting)

- (1) Subject to the notes annexed to FORM GSTR-9C, the audit methodology that has been followed is as per the SA 530 on Audit Sampling issued by the ICAI.
- (2) Subject to para-1 above, information reported in Part-II of FORM GSTR-9C :-
 - (a) Audited financial statements of the legal entity have been used to derive the information;
 - (b) Deemed supply transactions and transactions for non-monetary consideration do not appear in the books of accounts generally maintained due to the GAAP basis of its preparation. These transactions have been compiled separately and reported during the year/ at the end of the year/ after the end of the year;
 - (c) Turnover from April, 2017 to June, 2017 has been extracted on reasonable basis from the audited financial statements as year-end closing procedures prescribed by SAs..... is not applicable for this period;
 - (d) Credit notes are issued as permitted under GAAP and compliance with requirements of section 34 of the CGST Act are monitored based on year-end review of such transactions;
 - (e) Credit notes in respect of original supplies during the financial year but issued in the subsequent financial have been/ have not been included within the financial year itself as an event occurring after the date of the balance sheet;

- (f) Refer annexure or details of adjustments under Table-5O along with notes therein;
- (g) Refer annexure for details of reasons stated in 6;
- (3) Subject to para-1 above, information reported in Part II of FORM GSTR-9C:
 - (a)
- (4) Subject to para 1 above, information reported in Pt. IV of FORM GSTR-9C:
 - (a)
 - (b) Information in respect of the total GST paid on each item of inward supply as required in column (3) in Table-14 has not been maintained. As such, only to the extent information is available has been reported;
 - (c) Total of information in column (2) in Table-14 matches/ does not match with information pertaining to the registered person extracted from the audited financial statements of the legal entity;
- (5) Subject to para-1 above, information reported in Pt. IV of FORM GSTR-9C:
 - (a)
- (6) Condition linked to rate of tax has/ has not been violated/ advance ruling has/ has not been applied by this registered person and the same has/ has not been ruled as on this date;
- (7) GST on reverse charge under section 9(4) and 5(4) are/ are not paid from 1st July, 2017 up to 13th October, 2017;
- (8) Credit notes received by the registered person have/ have not been reported as outward supplies;
- (9) Input tax credit reversed of Rs..... includes:
 - (a) Rs..... onafter revising credit reversal required under rule 42.
 - (b) Rs..... onafter revising credit reversal required under rule 43.
 - (c) Rs..... ontowards refund claimed (Rs..... refund sanctioned and Rs..... refund rejected which has/ has not been restored).
- (10) Closing balance of input tax credit for the year does not include-
 - (a) Amount liable to be reversed under Rule 37 which has been regularly reviewed for reversal and has been reversed monthly/ quarterly/ annually/ after audit.
 - (b) Amount ineligible under section 17(5) but details of the same are unknown as it is not maintained.

- (c) Amount ineligible due to conditional exemption applicable to outward supplies but details of the same are unknown as it is not maintained.
- (11) An amount of Rs..... but not appearing in FORM GSTR-2A has been claimed as credit based on confirmation of payment of such tax obtained by the registered person;
- (12) An amount of Rs..... towards input tax credit availed and liable to be reversed has/ has not been reversed (Rs..... totally reversed and Rs..... restored for the year).

FAQ's

A. General

1. **Whether the auditor preparing the Form GSTR 9C has to conducted a separate audit, under the CGST/ SGST/ UTGST/ IGST Act, when the books of accounts has already been subjected to audit under any other law?**

Section 35(5) of the CGST/ SGST Act and section 21 of the UTGST Act, section 20 of the IGST Act both read with Rule 80(3) of the CGST/ SGST Rules prescribes that 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. The amount is prescribed in Rule 80(3) of the CGST/ SGST Rules. Every registered person whose aggregate turnover during a financial year exceeds Rs. 2 Crore (FY 2017 – 18) / 5 Crore (FY 2018 – 19 & 2019 – 20) shall get his accounts audited as specified under section 35(5) and he shall furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

FORM GSTR-9C is divided into two parts. Part-A is a reconciliation statement and Part-B relates to certification to be provided by the auditor. Part-B further provides two situations.

- The first is where the reconciliation statement is drawn by the auditor who has conducted the audit of the entity
- The second is the case where the reconciliation statement is drawn by an auditor, who has not conducted the audit of the entity.

In the second situation, the GST auditor relies on the audit report of the person who has conducted the audit of the entity and such certification also requires the GST auditor to state the statute under which the audit of the entity has been conducted. Thus, we can conclude that where the audit of financial statements of the entity has been conducted under a statute other than the GST laws and by a person other than the GST auditor, the GST auditor relying on such audit report need not conduct audit of financials once again.

However, in a case where audit is not required under any other statute, audit of books of accounts ought to be conducted by the GST auditor under the GST laws and will get cover in first situation as discussed above.

2. What are the objectives of certifying FORM GSTR-9C?

The main objectives of certifying FORM GSTR-9C are:

- To verify whether the concerned GSTIN has maintained the books of accounts, records and documents as required under section 35(1) of the CGST/ SGST Act (section 21 of UTGST and section 20 of IGST Act both read with section 35(1) of CGST Act) and Rule 56 to 58 of the CGST/ SGST Rules.
- To certify the correctness of the reconciliation between the turnover as per the annual return with the turnover as per the audited financial statements. The *aggregate* of turnover as per Tables 5N, 10 and 11 of the annual return ought to match with turnover as declared in Table 5P of the reconciliation statement.
- Due to some genuine reasons the turnover as per annual return may not tally with the turnover as per financial statements. The un-reconciled balance is declared in Table-5R of the reconciliation statement. *The reasons for such differences shall be stated in Table-6 of the reconciliation statement.*
- To certify the correctness of taxable turnover. The aggregate of taxable turnover declared in Table-4N of the annual return ought to tally with the aggregate of taxable turnover derived from financial statements as per Table 7E of the reconciliation statement.
- Due to some genuine reasons the taxable turnover as per the annual return may not tally with the taxable turnover as per the financial statements. The un-reconciled balance is declared in Table 7G of the reconciliation statement.

G	Unreconciled taxable turnover (F-E)	AT 2
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The reasons for such difference are stated in Table-8 of the reconciliation statement.

- To certify the correctness of taxable value and tax payable rate wise (refer Tables-9A to 9K of the reconciliation statement).
- To determine whether there is a difference between the tax paid, as declared in annual return, and the tax payable as declared in Table-9P (aggregate of Tables 9A to 9O) of the reconciliation statement. The reasons for the aforesaid difference shall be stated in Table-10 of the reconciliation statement.
- To determine if additional amounts of tax payable due to:
 - Difference in un-reconciled balance in turnover (Table 6 of the reconciliation statement)

- Difference in un-reconciled balance in taxable turnover (Table 8 of the reconciliation statement)
- Difference in un-reconciled balance upon reconciliation of rate-wise tax liability (Table 10 of the reconciliation statement)
- To certify the correctness of ITC, as per the audited financial statement relating to GSTIN being audited.
- To reconcile the difference between the ITC as claimed in the annual returns and ITC as claimed in the audited financial statements. The total ITC claimed in Table 7J of the annual returns ought to match with aggregate of ITC claimed as per financial return (as per Table 12D of the reconciliation statement)

D	ITC availed as per audited financial statements or books of account	<Auto>
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Table No.	Instructions
12D	ITC availed as per audited annual financial statement or books of accounts as derived from values declared in Tables-12A, 12B and 12C above would be auto-populated here.

- Due to some genuine reasons the ITC claimed as per the annual return may not tally with the ITC claimed as per financial statements. The un-reconciled balance is declared in Table-12F of the reconciliation statement. *The reasons for such difference shall be stated in Table-13 of the reconciliation statement.*
- To mention details of accounts/ records/ documents which are not maintained as required in the IGST/ CGST/ State/ UTGST Act.
- To provide observations/ qualifications, if any.

3. What is the turnover limit for filing FORM GSTR-9C?

As per Rule 80(3) of the CGST/ SGST Rules, every registered person whose *aggregate turnover* during a financial year exceeds Rs. 2 Crore (increased to Rs. 5 crore for FY 2018-19 and 2019-20) shall get his accounts audited as specified under section 35(5) and furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in **FORM GSTR-9C**.

Section 2(6) of the CGST Act defines *aggregate turnover* to mean the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), 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 but excludes Central tax, State tax, Union territory tax, Integrated tax and Cess.

Thus, aggregate turnover of the PAN on all India basis would have to be considered for the purpose of filing FORM GSTR-9C. Please note that taking reference to turnover of the past (pre-GST period) does not offend this new law. Reference to past turnover is merely to identify applicability of audit. Once identified that audit is applicable, the past turnover will not be subjected to GST. Hence, difference between retrospective law and retroactive law may be appreciated.

4. Whether the following supply should be included in determining the threshold limit of Rs. 2 (or) 5 Crore by a person registered under the GST:

- **Sale of securities**
- **Pure agent**
- **Alcohol for human consumption**

The definition of aggregate turnover includes exempt turnover. Exempt turnover is defined under the CGST Act to mean supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services tax Act and includes non-taxable supply.

Non-taxable supply is defined under section 2(78) of the CGST Act to mean a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services tax Act.

Accordingly, 'sale of securities' is neither good nor service and hence the same cannot be classified as exempt supplies and hence should not be included in aggregate turnover.

Amounts received as 'pure agent' is excluded from the value of supply as per Rule 33 of the CGST Rules and hence qualify for exclusion from aggregate turnover.

Section 9 (1) of the CGST/ SGST Act and section 7(1) and 5(1) of the UTGST and IGST Act respectively exclude alcoholic liquor for human consumption from the levy/ charge of GST. On a combined reading of the charging sections with the definitions of non-taxable supply and exempt supply, it becomes clear that alcoholic liquor for human consumption forms part of the exempt turnover. Since aggregate turnover includes exempt turnover, the value of alcoholic liquor for human consumption is to be included while computing the threshold limit of Rs. 2 Crore (or) 5 crore.

5. **Whether the term 'aggregate turnover' includes central tax, state tax, union territory tax, integrated tax and Cess for determining the applicability of Rs. 2 Crore/ 5 Crore?**

Aggregate turnover as per section 2(6) of the CGST/ SGST Acts excludes the value of central tax, State tax, Union territory tax, integrated tax and cess. Thus, the GST and compensation cess paid thereon is excluded from aggregate turnover. As a corollary, all taxes, cess, duties other than the GST paid on supply of goods/ services is to be included for the purpose of computing threshold limit of Rs. 2 Crore/ 5 Crore.

6. **Whether the term 'aggregate turnover' includes freight and insurance recovered from the buyer to calculate the threshold limit?**

As per the illustration given to definition of composite supply under section 2(30) of the CGST/ SGST Act, freight and insurance paid on the supply of goods forms part of a composite supply, the principal supply of which is goods. As per section 8 of the CGST/ SGST Act, the principal supply shall be treated as supply for the purpose of the GST laws. Therefore, freight and insurance recovered from the buyer is to be treated as principal supply and included for the purpose of computing the threshold limit.

7. **Whether the term 'aggregate turnover' includes stock transfers/ cross charges effected between branches located in two different states?**

Section 2(6) of the CGST/ SGST Act defines aggregate turnover to include 'inter-State supplies of persons having the same PAN'. Thus, stock transfers/ cross charges/ services provided from a branch located in one State to a branch located in another State would be included in the aggregate turnover of the branch supplying the goods/ services.

8. **Whether the term 'aggregate turnover includes stock transfers effected within the State having the same GSTIN for determining the threshold limits?**

The term 'aggregate turnover' shall not include stock transfers effected within the same State having the same GSTIN for the purpose of determining the threshold limit. However, where more than one GSTINs has been taken for branches located in the same State, then such branch transfers shall be included for computing the threshold limit for the branch supplying the goods/ services.

9. **Whether a registered person (for instance compulsory registration under section 24(1)(iii) persons who are required to pay tax under reverse charge) under the GST having exclusively exempted supplies of goods or services exceeding Rs. 2 Crore/ 5 Crore are required to file FORM GSTR-9C?**

The definition of 'aggregate turnover' includes even exempted supplies. Therefore, if a person is registered under the GST and having only exempted supplies would have to file FORM GSTR-9C.

10. Is FORM GSTR-9C required to be filed for every registration obtained by a person in a different State?

Section 35(5) of SGST Act, also requires conduct of audit in addition to section 35(5) of the CGST Act. Thus, audit is required GSTIN-wise for compliance of section 35(5) of the SGST Act. Therefore, a person having registration in Karnataka and Tamil Nadu is required to be audited under CGST Act and SGST Act. FORM GSTR-9C is required to be filed as per Rule 80(3) of CGST Rules and SGST Rules. Thus, a person having registration in more than one State is required to file FORM GSTR-9C registration wise, in each and every State.

11. Is a Chartered Accountant required to be registered as a GST practitioner for the purpose of certifying FORM GSTR-9C?

Section 48 of the CGST/ SGST Act read with Rule 83(8) of the CGST/ SGST Rules authorizes a GST practitioner to undertake the following activities-

- (a) furnish the details of outward and inward supplies;
- (b) furnish monthly, quarterly, annual or final return;
- (c) make deposit for credit into the electronic cash ledger;
- (d) file a claim for refund; and
- (e) file an application for amendment or cancellation of registration.

The GST laws/ Rules do not vest a GST practitioner with the power to audit under section 35(5). The power to audit is granted only to a Chartered Accountant or Cost Accountant. Therefore, a Chartered Accountant is not required to be registered as a GST practitioner for the purpose of certifying FORM GSTR-9C.

12. What are the documents to be enclosed along with GSTR 9C?

As per section 35(5), a copy of the audited accounts and such other documents in such form and manner '*as may be prescribed*' ought to be submitted along with the reconciliation statement (i.e. FORM GSTR-9C). Prescription ought to be provided in the Rules when the Act employs the term '*as may be prescribed*'. No documents other than the audited annual accounts have been prescribed in Rule 80(3).

Part-B of FORM GSTR-9C requires the GST auditor to enclose a copy of the audit report of the entity, where the audit of the entity has been carried out by another person under a statute other than the GST laws. In the said case, documents declared by the said statute to form part of the audited financial statements must also be annexed to the audit report.

13. Whether FORM GSTR-9 and FORM GSTR-9C should be filed separately?

Section 44(2) of the CGST/ SGST Act provides that a registered person has to file the annual return in FORM GSTR-9 along with a copy of the reconciliation statement in FORM GSTR-9C. Thus, FORM GSTR-9C has to be filed along with FORM GSTR-9 in case the aggregate turnover exceeds Rs. 2 Crore/ 5 Crore.

14. What is the time limit to file FORM GSTR-9C?

Section 44(2) requires the reconciliation statement in FORM GSTR-9C along with the annual return in FORM GSTR-9. As per section 44(1), the due date to file annual return is on or before the 31st of December following the end of such financial year for which annual return is being prepared. Thus, it can be inferred that due date for filing reconciliation statement in FORM GSTR-9C is also on or before thirty-first day of December following the end of such financial year for which reconciliation statement is being prepared, subject to extensions granted by the Government.

15. What are the contents of FORM GSTR-9C?

FORM GSTR-9C consists of two parts. Part-A is about the reconciliation statement. Part-B is related to the certificate to be issued by the GST auditor.

16. Who are the persons authorized under the GST law to certify the FORM GSTR-9C?

A Chartered Accountant or a Cost Accountant are the persons authorized under the GST laws to certify the FORM GSTR-9C as per section 35(5) of the CGST/ SGST Act.

17. If the financial year of the dealer is a calendar year say from January to December, can the FORM GSTR-9C be filed for the said period?

Section 35(5) of the CGST/ SGST Act read Rule 80(3) of the CGST/ SGST Rules both refer to the financial year. The financial year has not been defined under the GST Acts. Therefore, reference ought to be made to General Clauses Act as per which the financial year means a year which starts from 1st of April. Hence, FORM GSTR-9C cannot be filed for the accounting year, which is different from the financial year.

18. What are the consequences of non-submission of FORM GSTR-9C within the prescribed time limit?

- (a) Section 44(2) of the CGST Act and SGST/UTGST Act provides that every registered person shall file electronically annual return in FORM GSTR-9 along with a reconciliation statement in FORM GSTR-9C, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.
- (b) Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day for delay in furnishing the annual return in FORM GSTR-9, subject to a maximum

amount of quarter percent (0.25%) of the turnover in the State or Union Territory. Similar provisions for levy of late fee exist under the State/ Union Territory GST Act.

- (c) On a combined reading of section 47(2) and section 44(2) of the CGST Act and SGST/ UTGST Act a late fee of Rs. 200/- per day (Rs. 100/- under CGST law + Rs. 100/- under State/ Union Territory GST law) can be levied which would be capped to a maximum amount of half percent (0.25% under the CGST law + 0.25% under the SGST/ UTGST law) of turnover in the State or Union Territory.
- (d) In a situation where a registered person gets FORM GSTR-9C duly certified but fails to furnish both FORM GSTR-9 and FORM GSTR-9C on the Common Portal, the provisions of late fee cited in clauses (a) to (c) *supra* would equally apply.
- (e) In a situation where a registered person files only, FORM GSTR-9 but fails to file FORM GSTR-9C, the filing of FORM GSTR-9 is not considered to have been defaulted, whereby the late fee cited in clauses (a) to (c) *supra* would not apply. However, there may be consequences of default in complying with the provisions of section 44(2).

19. Can the late fee be waived off in genuine cases?

The Government may, by notification, waive in part or full, any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendation of the Council. However, no notification has been issued by the Central Government/ State Government as on date.

20. Where a part of the records of the dealer have been seized by the GST authorities before the due date for submission of the FORM GSTR-9C and the dealer has not been able to get his accounts and file FORM GSTR-9C, will the late fee still be applicable?

Yes; there is no specific provision for waiver of late fee in the aforesaid scenario. However, as per the second proviso to section 67(2), the documents or books or things so seized shall be retained by such officer only for so long as may be necessary for their examination and for any inquiry or proceedings under this Act.

Further, as per section 67(3) the documents, books or things which have not been relied upon for the issue of notice under this Act or the rules made thereunder, shall be returned to such persons within a period not exceeding thirty days of the issue of the said notice.

More importantly, as per section 67(5), the registered person shall be entitled to make copies of the documents, books or things or take extracts therefrom in the presence of an authorised officer except where making such copies or taking such extracts may, in

the opinion of the proper officer, prejudicially affect the investigation. Thus, the photocopies may be relied upon for submission of FORM GSTR-9C in case where the books have been seized.

21. Is there any provision of filing the revised FORM GSTR-9C?

There is no provision enabling a dealer to file revised FORM GSTR-9C. As such, some experts opine that, the Certificate once issued/ filed cannot be revised in view of no such revision being permitted to audited reports by a Chartered Accountant. However, there is another view that since there are no specific bar/ restrictions under the GST laws to file a revised audit report/ certificate, a revised audit report/ certificate can be issued/ filed. Care must be exercised to ensure that the relevant FORM GSTR-9C is not taken lightly and filed with inaccurate particulars. Caution is advised in taking such a position unless the Government issues any clarification in this regard. While one can appreciate that mistakes can creep in and, therefore, warrant a revision, it must be ensured that there is no *mala fide* at the time of filing this reconciliation statement. If necessary the reasons for the revision and impact can be communicated and relied upon to support *bona fides* of the actions.

22. Can the internal auditor of the dealer certify FORM GSTR- 9C?

An internal auditor cannot certify FORM GSTR-9C as per instructions issued by the ICAI.

23. Can a registered person contend that special audit u/s 66 cannot be conducted by a Chartered Accountant/ Cost Accountant when FORM GSTR-9C has been filed?

Special audit under section 66 is conducted during the stage of scrutiny, inquiry, investigation or any other proceedings before departmental officers, if the departmental officer having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the *value* has not been correctly declared or the *credit* availed is not within the normal limits. In such a case, with the prior approval of the Commissioner, the departmental officer may direct the registered person by a communication in writing to get his records including the books of account examined and audited by a Chartered Accountant or a Cost Accountant as may be nominated by the Commissioner.

Audit under section 35(5) has to be carried out by every registered person whose aggregate turnover is greater than Rs. 2 Crore/ 5 Crore. Thus, the audit contemplated under both the aforesaid conditions are entirely different though audit is conducted in both the aforesaid cases by a Chartered Accountant/ Cost Accountant.

24. Does the submission of the FORM GSTR-9C mean that the Commissioner or any officer authorized by him will not undertake an audit under section 65 of the CGST Act?

The provisions relating to departmental audit under section 65 and provisions relating to audit under section 35(5) are two independent provisions. Audit u/s 35(5) is required when aggregate turnover is greater than Rs. 2 Crore/ 5 Crore whereas there is no such condition for audit under section 65. Further, audit under section 65 is by the department whereas audit under section 35(5) is by a Chartered Accountant/ Cost Accountant. Thus, submission of FORM GSTR-9C would not in any manner curtail the right of the department to conduct an audit.

Part-B

1. In which situation is Part I or Part II of the certification required to be certified?

1. Part I certification is to be certified by a Chartered Accountant/ firm of Chartered Accountant wherein the audit of books of accounts, financial statements and reconciliation statement in FORM GSTR-9C are certified by the same Chartered Accountant/ firm of Chartered Accountant.
2. Part II certification is to be certified by a Chartered Accountant/ firm of Chartered Accountant of a Cost Accountant/ firm of Cost Accountants if the audit of books of accounts, financial statements and reconciliation statement in FORM GSTR-9C are certified by some other Chartered Accountant/ firm of Chartered Accountant.

2. What is the difference between the word 'observation' and 'qualification'?

1. **Observation:** The word 'observation' has not been defined under the CGST Act or under the Standards of Auditing issued by the ICAI. Therefore, dictionary meaning would have to be taken. As per the law Lexicon, authored by P Ramanatha Iyer, observation means 'view' or 'remark'.
2. **Qualification:** The word 'qualification' has not been defined under the CGST Act. As per SA-705 issued by the ICAI, the auditor shall express a qualified opinion when-
 - (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of un-detected mis-statements, if any, could be material but not pervasive.

Therefore, while certifying FORM GSTR-9C the Chartered Accountant should take utmost care in reporting a matter as an 'observation' or as a 'qualification'.

3. **Whether a Chartered Accountant in service can certify FORM GSTR-9C?**

No; only a Chartered Accountant in practice can certify the FORM GSTR-9C. The Council at its 242nd Meeting has passed a resolution, effective from 1st April, 2005, that any member in part time practice (holding certificate of practice and also engaging himself in other business or occupation) is not entitled to perform attest function. The audit under the GST laws being an attest function, the resolution of the Council is applicable for such audit also. Therefore, any member in part time practice cannot perform an audit under the GST laws. Thus, it follows that a Chartered Accountant in service cannot certify FORM GSTR-9C.

APPENDICES

Appendix 1

¹FORM 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 >>	
		(Amount in ₹ in all tables)	
Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR 9)		
5	Reconciliation of Gross Turnover		
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)		
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	(-)	

¹ Substituted by the Central Goods and Services Tax (Fourteenth Amendment) Rules, 2018, w.e.f. 31-12-2018. Earlier, Form GSTR-9C was inserted by the Central Goods and Services Tax (Tenth Amendment) Rules, 2018, w.e.f. 13-9-2018.

F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
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	(+/-)	
P	Annual turnover after adjustments as above		< Auto >
Q	Turnover as declared in Annual Return (GSTR 9)		
R	Un-Reconciled turnover (Q - P)		AT1
6	Reasons for Un - Reconciled difference in Annual Gross Turnover		
A	Reason 1	<< Text >>	
B	Reason 2	<< Text >>	
C	Reason 3	<< Text >>	
7	Reconciliation of Taxable Turnover		
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 (GSTR 9)		
G	Unreconciled taxable turnover (F-E)		AT 2

8	Reasons for Un - Reconciled difference in taxable turnover					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
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
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
I	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
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 >>				
11	Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					
			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%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					

Pt. IV	Reconciliation of Input Tax Credit (ITC)			
12	Reconciliation of Net Input Tax Credit (ITC)			
A	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)			
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)		
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)		
D	ITC availed as per audited financial statements or books of account			< Auto >
E	ITC claimed in Annual Return (GSTR9)			
F	Un-reconciled ITC			ITC 1
13	Reasons for un-reconciled difference in ITC			
A	Reason 1	<< Text >>		
B	Reason 2	<< Text >>		
C	Reason 3	<< Text >>		
14	Reconciliation of ITC declared in Annual Return (GSTR 9) with ITC availed on expenses as per audited Annual Financial Statement or books of account			
	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			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			

G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)			
I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			
O	Capital goods			
P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<Auto>
S	ITC claimed in Annual Return (GSTR 9)			
T	Un-reconciled ITC (ITC 2)			
15	Reasons for un - reconciled difference in ITC			
A	Reason 1	<< Text >>		
B	Reason 2	<< Text >>		
C	Reason 3	<< Text >>		
16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)			
	Description	Amount Payable		
	Central Tax			
	State/UT Tax			
	Integrated Tax			
	Cess			
	Interest			
	Penalty			

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
	Description	To be paid through Cash				
		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					
	Interest					
	Late Fee					
	Penalty					
	Any other amount paid for supplies not included in Annual Return (GSTR 9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (Pl. specify)					

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

Instructions:

1. Terms used:
 - (a) GSTIN: Goods and Services Tax Identification Number
2. It is mandatory to file all your **FORM GSTR-1**, **FORM GSTR-3B** and **FORM GSTR-9** for the ²[*current financial year*] before filing this return. ³[For *FY 2017-18*,] the details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The Reconciliation statement is to be filed for every GSTIN separately.
3. The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.
4. Part II consists of reconciliation of the annual turnover declared in the audited Annual Financial Statement with the turnover as declared in the Annual Return furnished in **FORM GSTR-9** for this GSTIN. The instructions to fill this part are as follows: -

² Substituted for "FY 2017-18" by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f. **14-11-2019**.

³ Inserted, by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f **14-11-2019**.

Table No	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
5B	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here. ⁴ [For ⁵ [FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.] (For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here. ⁴ [For ⁵ [FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here. ⁴ [For ⁵ [FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]
5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.

⁴ Inserted by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f. **14-11-2019**.

⁵ Substituted for "FY 2017-18 and 2018-19" by the Central Goods and Services Tax (Twelfth Amendment) Rules, 2020, w.e.f. **15-10-2020**.

	⁴ <i>[For ⁵[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here. ⁴ <i>[For ⁵[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here. ⁴ <i>[For FY 2017-18, the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here. ⁴ <i>[For ⁵[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here. ⁴ <i>[For ⁵[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here. ⁶ <i>[For ⁷[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 50.]</i>
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.

⁶ Inserted by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f. **14-11-2019**.

⁷ Substituted for "FY 2017-18 and 2018-19" by the Central Goods and Services Tax (Twelfth Amendment) Rules, 2020, w.e.f. **15-10-2020**.

	<i>¶[For ¶[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]</i>
5L	<p>There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.</p> <p><i>¶[For ¶[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]</i></p>
5M	<p>There may be cases where the taxable value and the invoice value differ due to valuation principles under Section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.</p> <p><i>¶[For ¶[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]</i></p>
5N	<p>Any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.</p> <p><i>¶[For ¶[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this table. If there are any adjustments required to be reported then the same may be reported in Table 5O.]</i></p>
5O	Any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).

7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7C	Value of zero-rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.
7F	Taxable turnover as declared in Table (4N-4G)+ (10-11) of the Annual Return (GSTR9) shall be declared here.
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

5. Part III consists of reconciliation of the tax payable as per declaration in the reconciliation statement and the actual tax paid as declared in Annual Return (GSTR9). The instructions to fill this part are as follows:-

<i>Table No.</i>	<i>Instructions</i>
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled "RC", supplies where tax was paid on reverse charge basis by the recipient (i.e., the person for whom reconciliation statement has been prepared) shall be declared.
9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

6. Part IV consists of reconciliation of Input Tax Credit (ITC). The instructions to fill Part IV are as under:-

<i>Table No.</i>	<i>Instructions</i>
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities, will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18. ⁸ <i>[For ⁹[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this Table.]</i>
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here. ⁸ <i>[For ⁹[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this Table.]</i>
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here.
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table 12E) availed in the Annual Return (GSTR9) shall be specified here.
14	This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books

⁸ Inserted by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f. **14-11-2019**.

⁹ Substituted for "FY 2017-18 and 2018-19" by the Central Goods and Services Tax (Twelfth Amendment) Rules, 2020, w.e.f. **15-10-2020**.

	<p>of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.</p> <p>⁸<i>[For ⁹[FY 2017-18, 2018-19 and 2019-20], the registered person shall have an option to not fill this Table.]</i></p>
14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR 9) shall be declared here. Table 7J of the Annual Return (GSTR 9) may be used for filing this Table.
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

7. Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.
8. Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in this form, through **FORM DRC-03**. Taxpayers shall select "Reconciliation Statement" in the drop down provided in **FORM DRC-03**. It may be noted that such liability shall be paid through electronic cash ledger only.

¹⁰[PART – B- CERTIFICATION**I. Certification in cases where the reconciliation statement (FORM GSTR 9C) is drawn up by the person who had conducted the audit:**

* I/we have examined the-

- (a) balance sheet as on
- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and
- (c) the cash flow statement (if available) for the period beginning fromto ending on, - attached herewith, of M/s (Name), (Address),(GSTIN).

2. Based on our audit I/we report that the said registered person-

*has maintained the books of accounts, records and documents as required by the IGST/CGST/<<>>GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/<<>>GST Act, 2017 and the rules/notifications made/issued thereunder:

1. .
- 2.
- 3.

3. (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....

3. (b) *I/we further report that, -

(A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

(B) In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from*my/ our examination of the books.

¹⁰ Substituted by the Central Goods and Services Tax (Seventh Amendment) Rules, 2019, w.e.f. 14-11-2019.

(C) I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement (if available) are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand
** additional place of business within the State.

4. The documents required to be furnished under Section 35(5) of the CGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act is annexed herewith in **Form No. GSTR 9C**.
5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said **Form No. GSTR 9C** are true and correct subject to following observations/qualifications, if any:
 - (a)
 - (b)
 - (c)

.....

.....

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Membership No

Date:

Full address

II. Certification in cases where the reconciliation statement (GSTR 9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

*I/we report that the audit of the books of accounts and the financial statements of M/s. (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of theAct, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-

- (a) balance sheet as on
- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on,

- (c) the cash flow statement (if available) for the period beginning fromto ending on, and
- (d) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. I/we report that the said registered person-

*has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder

*has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder:

- 1.
- 2.
- 3.

3. The documents required to be furnished under Section 35 (5) of the CGST Act/ SGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act/ SGST Act is annexed herewith in **Form No. GSTR 9C**.

4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said **Form No. GSTR 9C** are true and correct subject to the following observations/qualifications, if any:

- (e)
- (f)
- (g)
-

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Membership No

Date:

Full address]

Appendix 2

(Reference - CHAPTER 2 (SECTION I))

A. Suggested draft format for Appointment Letter

To

ABC and Co.,
Chartered Accountants
<<<<<Address>>>>>

Dear Sirs,

Sub: Appointment of GST Auditors (Joint Auditors) under section 35(5) and section 44(2) of the CGST Act read with rule 80(3) of the CGST Rules [read with the corresponding provisions of the State/ UT, Goods and Services Tax Acts] for the previous year ending on 31st March _____.

We are pleased to inform you that vide Resolution of the Board of Directors dated * you*/ your firm* have*/ has* been appointed GST Auditors/ Joint GST Auditors of our Firm*/ Company* (other entities viz., Trust), carrying the business under the name and style as (Name of the client and address and GSTIN) for conducting the audit under section 35(5) and section 44(2) of the CGST Act read with rule 80(3) of the CGST Rules [read with the corresponding provisions of the State/ UT, Goods and Services Tax Acts] for the previous year ending on 31st March _____.

The remuneration for conducting the said audit is fixed at Rs..... All applicable taxes, out of pocket expenses such as travelling, conveyance etc., shall be extra, at actuals.

Kindly confirm your acceptance for the above appointment.

For

Authorised Signatory

[Name and designation]

Place:

Date:

* Strike out whichever is not applicable and make suitable changes on a case to case basis

B. Suggested draft format for Acceptance Letter

<<<< Name and address of the entity>>>>

Dear Sir,

Sub: Our appointment as GST Auditors* (Joint Auditors*) under section 35(5) and section 44(2) of the CGST Act read with rule 80(3) of the CGST Rules [read with the corresponding provisions of the State/ UT, Goods and Services Tax Acts] to certify the Reconciliation Statement in FORM GSTR-9C prepared for the financial year ended 31st March, ____.

Ref: Your appointment letter dated / GSTIN:

We are in receipt of your appointment letter dated, in relation to the captioned matter. We are pleased to confirm our acceptance and our understanding of this engagement, by means of this letter.

1. The Management is responsible for compliances with the GST laws, comprising the Union Territory Goods and Services Tax/ Central Goods and Services Tax/ State Goods and Services Tax Act, 2017* and Integrated Goods and Services Tax Act, 2017 and the respective rules framed thereunder, and for the preparation of FORM GSTR-9/ FORM GSTR-9C in compliance of those laws.
2. The responsibility of the Management also includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the Entity/ Firm/ Company* and for preventing and detecting fraud or other irregularities. As part of our audit process, we will request from the Management written confirmation concerning representations made to us in connection with the audit.
3. Our responsibility is to audit the particulars included in the FORM GSTR-9C to ensure that they are free of any material mis-statement.
4. Our audit will be conducted in accordance with the auditing standards generally accepted in India and in line with the requirements under the GST laws. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the relevant FORM GSTR-9C is free of material mis-statements. An audit includes examination on a test basis, using the concept of materiality, evidence supporting the amounts and disclosures in FORM GSTR-9C. The audit may also include assessing the accounting principles used and significant estimates made by the Management in the presentation of financial statements.
5. In addition, we will consider, solely for the purpose of planning of our audit and determining the nature, timing, and extent of our audit procedures, the enterprise's internal control. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.

6. Having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence, together with inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected.
7. As required by auditing standards generally accepted in India, we will make specific inquiries of Management about the representations contained in the financial statements and other reports as may be applicable and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in India also require that, at the conclusion of the audit, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the FORM GSTR-9C or other reports. Owing to the importance of Management's representations to an effective audit and review, the enterprise agrees liability and costs relating to our services under this letter attributable to any misrepresentations by Management. Management is responsible for providing us with all financial records and related information/ documents on a timely basis, and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.
8. The working papers prepared in conjunction with our audits are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures. However, we acknowledge that the details or data received from you for preparation of these working papers are/ is confidential information of the enterprise and will not be disclosed by us to any third party, except as set out in paragraph 9 below or when required by legislation, without the prior written consent from the Company.
9. In accordance with the Statement on Peer Review issued by the Institute of Chartered Accountants of India, our attest services may be subject to a peer review to be conducted by an independent reviewer who can inspect, examine or take abstract of our work papers including those provided by you.
10. If these arrangements are acceptable, please sign one copy of this letter and return it to us. We very much appreciate the opportunity to serve you and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

For
Chartered Accountants

Proprietor/ Partner/ Director

Place:

Date:

* Strike out whichever is not applicable and make suitable changes on a case to case basis

Appendix 3 (Checklist)

(Reference - CHAPTER 3 (SECTION I))

Suggested Audit Checklist

Client's Name.....

Financial/ Accounting Year.....

		Checked by	Yes	No	N.A	Remarks
1	GST Registration Certificate					
	Have you checked whether the Supplier has applied for New Registration or has he Migrated? Date in FORM GST REG-06.					
	Have you checked the registration details of: Registered Person, Factory/ Warehouse/ Godown, ISD and in respect of Other Place of business?					
	Whether GSTIN is displayed in Name Board viz., Godown/ Branches/ other places of business?					
	Whether the additional place of business within the State is incorporated in the Registration Certificate?					
	Whether the separate registration is taken for Input Service Distributor?					
	Whether any amendment is required to be made to the					

	Registration Certificate?					
	Others, if any					
2	Invoicing documentation					
	Whether Tax Invoice or Bill of Supply is issued as per GST law? Whether it contains all the relevant particulars as required under law?					
	Whether Tax Invoice for supply of goods is issued on or before the removal/ delivery of goods?					
	Whether Tax Invoice for supply of services is issued within 30 days from date of supply of service?					
	Whether bill of supply is issued for exempt supplies/ non-taxable supplies?					
	Whether the Revised Invoice is issued in case of New Registration? (i.e. other than voluntary)					
	Whether Receipt voucher is issued for receipt of advance?					
	Whether self-invoice and payment voucher is issued in case of RCM transactions from un-registered person?					
	Whether refund voucher is issued for refund of advance received?					
	Whether Credit Note/ Debit Note are issued as per the provisions of the GST law as per section 34?					
	Whether Credit Note/ Debit Note is issued before 30th September of the subsequent financial year?					
	Have you checked correctness of					

	Tax Invoice/ Bill of Supply with the appropriate Supply Register/ FORM GSTR-1?				
	Whether the Tax Invoice/ Bill of Supply is cancelled for genuine reasons, if any like name of party/ details where applicable?				
	Whether any Invoice-cum Bill of Supply is raised for specific transactions?				
	Whether the transport documents are maintained and verified?				
	Whether any copies of Credit Note and Debit Note are raised otherwise than as specified in section 34?				
	Whether the Delivery Challans/ E-way bill register is maintained?				
	Whether series of documents issued as per table 13 of FORM GSTR-1 matches with the Books of Account?				
	Others, if any, specify				
3	Goods Sent to Job Worker				
	Whether the conditions are fulfilled for claiming input tax credit on goods (including capital goods) sent for job work?				
	Whether the Principal has sent goods to the job worker under the cover of delivery challans?				
	Whether the registered person has furnished FORM GST ITC-04 for the quarters in which goods were				

	sent out for job work? (N.A. for FY 2017–18 & 2018–19)					
	In case the registered person has supplied goods directly from the place of business of job worker, whether he has satisfied the conditions laid down in proviso to section 143(1) of CGST Act?					
	In case the job worker is un-registered, and such job worker has supplied any waste/ scrap generated during the job work from his place of business directly, whether the registered person has paid tax on such supply?					
	Have you checked any goods are sent for job work and returned within specified time?					
	Others, if any, specify					
4	Supply					
	Whether the kind of outward supplies like-taxable supply, exempted supply, zero-rated supply, nil-rated supply, supplies to SEZ unit/ developers/ deemed export and merchant export etc. are appropriately classified as per GST laws?					
	Whether any transaction which falls within the scope of supply has not been identified by the registered person?					
	Have you checked inter-State supply as per section 7(5) of the IGST Act?					

Have you checked intra-State supply as per section 8 of the IGST Act?					
Whether zero-rated supply is verified as per the provisions of the law?					
Whether the supply made by a registered person falls within the meaning of composite/ mixed supply? If yes, whether the same has been offered to tax as per section 8 of the CGST Act?					
Have you checked for sale of capital goods, the GST charged thereon and shown in the returns filed? In case of vehicle under Chapter 87 compliance of NN-08/ 2018-CT (Rate) and NN-01/ 2018 Cess.					
Whether inter-State supply is regarded as intra-State supply or <i>vice-versa</i> ?					
Whether abatement provisions, if any, are applicable (like one third for land) is complied with?					
Whether the transactions are correctly classified as supply of goods or supply of services?					
Have you checked the deemed supply as per Schedule-I?					
Are there any transactions wherein the goods sent for job work not received back are treated as supply?					
Others, if any, specify					

5	Time of supply					
	Whether time of supply provisions have been complied as per section 12 and 13 of the CGST Act?					
	In case of change in rate of tax in respect of goods or services, whether the time of supply has been determined as per section 14 of the CGST Act?					
	Whether time of supply is complied for continuous supply of goods/ services?					
	Whether time of supply is complied for reverse charge?					
	Whether time of supply is complied for goods sent on approval?					
	Others, if any, specify					
6	Input Tax Credit					
	Have you checked whether input tax credit availed on invoices like-Bill of Entry, Tax Invoice, Debit Note, Self-Invoice, ISD Invoice?					
	Have you checked entries in Inward supplies records for input tax and reconciled with Invoices from the vendors?					
	Have you checked the inward supplies records with monthly returns and ascertained reasons for variations, if any?					
	Have you made a list of restricted input tax credit items as per the GST law?					
	Have you tallied monthly return					

with input tax credit receivable, if any?					
Have you reconciled tax collections with payments and transfer of the balance to appropriate accounts?					
Have you checked adjustment of tax set-off by relevant journal entries?					
Have you checked that input tax credit on capital goods is correctly availed?					
Whether input tax credit is reversed for the sale of capital goods as specified in GST law?					
Any reversal of input tax credit for the goods sent for job work?					
Whether the recipient of supply has effected payment for such inward supply within 180 days from the date of invoice?					
Whether input tax credit availed is debited to recoverable account for availing credit?					
Whether the supplier has availed both benefits of depreciation and input tax credit?					
Whether the documents (tax invoice/ debit note) on the basis on which input tax credit is claimed contains the mandatory details of the recipient such as Name, GSTIN, Address and all other particulars as prescribed?					
Whether input tax credit is reversed against the receipt of Credit Note?					

	Whether input tax credit is bifurcated in to eligible, ineligible, blocked and common credits?					
	Whether the common credits are reversed as per Rule 42 of the CGST Rules?					
	Whether input tax credit is availed on capital goods? If yes, whether credit is reversed as per Rule 43 of the CGST Rules?					
	Whether reconciliation of input tax credit between FORM GSTR-3B and FORM GSTR-2A is done? Compliance of Rule 36(4) w.e.f. 09.10.2019					
	Whether transitional credit is availed as per the provisions of the law?					
	Whether any ineligible transitional credit is reversed as per the law?					
	Have you tallied monthly return with input tax credit receivable?					
	Any reversal of input tax credit for change in scheme from composition to regular?					
	Others, if any, specify					
7	Input Tax Service Distributor					
	Whether separate registration is taken as per the provisions of law?					
	Whether any tax is payable under reverse charge and obtained separate registration?					
	Whether eligible and ineligible input tax credit is apportioned as					

	per the GST law?					
	Is there any reversal of input tax credit and credit note is issued?					
	Whether the calculation of turnover for allocating the input tax credit is as per the law?					
	Whether the ISD invoice containing the relevant particulars is issued correctly as per the provisions of the law?					
	Others, if any, specify					
8	Classifications					
	Whether the classification of goods/ services is in conformity with Schedules/ Notifications?					
	Whether the HSN classification is verified to confirm the rate of tax on goods and services?					
	Whether the HSN details for inward and outward supply are verified?					
	Whether the SAC Code/ HSN code is as per the law?					
	Whether the HSN/ SAC classification is the same as was followed in the erstwhile law if applicable?					
	Is there any specific advance ruling applicable?					
	Whether there has been any change in rate of tax during the period by way of amendment in the rate of tax notification or exemption notification?					

	Others, if any, specify					
9	Returns					
	Whether the copies of the GST returns filed by the registered person are reviewed?					
	Whether reconciliation of FORM GSTR-9 with FORM GSTR-1 and FORM GSTR-3B is done?					
	Whether interest which was due, has been paid while filing the return?					
	Whether any late fee which is due is paid while filing the return or any late fee which was waived?					
	Whether transitional credit returns are filed within the due date?					
	Whether transitional credit returns are not filed due to technical glitches?					
	Whether the amendment details are filed correctly in the returns?					
	Others, if any, specify					
10	GST collections and payment verification					
	Have you checked whether tax payable is paid within the prescribed time as per the GST law?					
	Have you checked whether tax is being collected beyond tax payable? If yes, whether section 76 is complied.					
	Whether the tax payer charged wrongly IGST in place of CGST/					

	SGST or <i>vice versa</i> ?					
	Have you followed the provisions of Rule 35 of the CGST Rules in respect of collection of taxes?					
	Others, if any, specify					
11	Reverse Charge					
	Whether reverse charge tax is paid under section 9(4) of the CGST Act up to 12 th October, 2017? In case of Real Estate Promoter, compliance under section 9(4) (as amended) w.e.f. 01.04.2019?					
	Whether reverse charge tax on notified supplies under section 9(3) and section 9(5) of the CGST Act is duly paid?					
	Whether reverse charge tax has been paid wrongly in lieu of CGST/ SGST as IGST or <i>vice versa</i> ?					
	Whether corresponding input tax credit is availed on reverse charge?					
	Whether conditions of paying tax under RCM are fulfilled?					
	Others, if any, specify					
12	Value of Supply					
	Whether all the inclusions to the value of supply as per section 15 of the Act have been verified?					
	Whether discount offered to customers (pre/ post supply) is not included in the value of supply after fulfillment of conditions under section 15(3) of the Act?					

	Whether valuation rules have been applied as per the GST law?					
	Whether the registered person has claimed any pure agent deduction as per Rule 33?					
	In case the value of supply is inclusive of the GST, whether the taxable value and tax amount is determined as per Rule 35 of the CGST Rules?					
	In case of exports, whether rate of exchange of currency is determined as per Rule 34 of the CGST Rules?					
	Whether the rate of tax charged for supplies is as per the GST rate notifications issued/ amended from time to time?					
	Whether the tax collected from the customers has been entirely remitted to Government?					
	Others, if any, specify					
13	Place of supply					
	Whether CGST/ SGST/ IGST is charged in accordance with place of supply provisions?					
	Whether the supply is inter-State/ intra-State has been identified based on the policy document of the entity?					
	Whether the conditions for inter-State supply are fulfilled as per IGST Act?					
	Whether the conditions for intra-State supply are fulfilled as per					

	IGST Act?					
	Whether the conditions for export of goods are fulfilled?					
	Whether the conditions are fulfilled for export of services?					
	Whether there are any imports of goods/ import of services?					
	Whether the zero-rated supply is with or without payment of taxes?					
	Whether the conditions for location of supplier are fulfilled?					
	Whether the supplier is intermediary under the GST Act and the conditions are fulfilled?					
	Whether the supplier has declared sale in course of imports, non-territory supply, high sea supply in the return correctly?					
	Whether the conditions for location of the recipient are fulfilled?					
	Whether the wrong payment of tax i.e. IGST in lieu of SGST/ CGST is claimed as refund?					
	Whether the wrong payment of tax i.e. SGST/ CGST in lieu of IGST is claimed as refund?					
	Whether the supply by SEZ to DTA is treated as inter-State subject to fulfilment of conditions?					
	Others, if any, specify					
14	Refund					
	Whether the supplier is eligible for refund as per section 54?					

	Whether the supplier had paid IGST on export of goods and has also availed benefits prescribed under rule 96(10)?				
	Whether the supplier has applied for refund and whether it is sanctioned?				
	Whether any refund is rejected or pending before the authority?				
	Whether the refund is re-credited to Electronic Credit Ledger?				
	Whether the manual/ electronic documents for refund are verified?				
	Whether the accounting impacts are given for refund applied, pending rejected or appealed?				
	Whether any refund is wrongly applied like input services/ capital goods credit for inverted duty structure?				
	Whether refund and input tax credit is claimed for the same transactions?				
	Whether interest on delayed refund is receivable?				
	Others, if any, specify				
15	Inward supply				
	Have you checked the purchase invoice/ delivery challans with purchase register?				
	Have you checked the HSN classification for inward supplies?				
	Have you checked inward supply with the monthly returns?				

	Have you checked whether any input tax is added to the cost of purchase where input tax credit is not allowable?				
	Have you made a list of inward supply invoices for which there are no corresponding entries in inward supply records and GST return?				
	Have you checked that inward supplies are classified between intra-State, inter-State, imports etc.?				
	Have you checked that purchases of capital goods are booked as fixed assets and the GST is paid thereon? Have you checked assets which have depreciated 100%?				
	Have you checked sale/ deletion of fixed assets?				
	Others, if any, specify				
16	Maintenance of Books of Accounts				
	Whether books of accounts are maintained as specified in section 35 r/ w rules 56, 57 and 58 of the GST Law?				
	Whether books of accounts are maintained electronically/ manually?				
	Whether books of accounts are maintained at each place of business?				
	Whether books of accounts are maintained manually or electronically? If the same are				

	maintained electronically, whether the software used complies with the requirements of the law?					
	Whether the copies of agreements/ agent agreement and other supporting documents are obtained?					
	Whether copies of the audited financial statements for each registration have been obtained?					
	Whether transporter/ warehouse keeper has maintained the books of account as per the law?					
	Whether the register e-way bill/ delivery challan is maintained as per the law?					
	Whether e-way bills are used for valid purpose?					
	Whether the registers of FORMS GST ITC-01, ITC-02, ITC-03 and ITC-04 are maintained as per the GST law?					
	Whether the supplier maintains the cash/ bank register for recording the transactions entity wise?					
	Whether the books of accounts maintained are centralized or decentralized?					
	Others, if any, specify					
17	General					
	Whether the registered person has complied with anti-profiteering clause?					
	Whether reliance is placed on any					

notification/ clarification/ advance ruling/ judgement in respect of rate of tax charged and collected. Whether any conflicting advance ruling order is applicable?					
Are there any departmental inspection proceedings for transitional credits or any other demands created?					
Have you checked for any adverse points in reports issued by internal/ statutory auditors or any other such reports?					
Have you checked for any adverse points in reports in the previous year?					
Have you checked that assessment orders/ appeal orders/ notices issued by the department, if any?					
Is there any judicial pronouncement that could be applicable to the dealer?					
Have you discussed any adverse issues arising out of the audit with the client?					
Have you obtained the letter of appointment/ issued the letter of acceptance of audit?					
Have you come across any unusual transactions?					
Have you checked miscellaneous receipts/ other income?					
Have you come across any huge or unusual inward or outward					

supply transactions/ tax credits/ tax payments etc.?						
Have you noticed any comments on internal controls, periodicity of updating of accounts/ records etc.?						
Whether the registered person has availed the facility of digital signature?						
Whether the auditor has used appropriate audit tools?						
Others, if any, specify						

Place:

Reviewed by - Manager / Partner / Proprietor

Date:

Appendix 4

(Reference - CHAPTER 4 (SECTION I))

Suggested format of draft letter of management representation to be obtained from the client in respect of each registered person separately viz., State-wise/ GSTIN-wise (suitable modifications may be made as required)**

Dear Sir,

Sub: Management Representation-GST Audit for the financial year ended on 31st March, xxxx.

With reference to the audit conducted by you/ your firm*, and as required under the provisions of section 35(5) and section 44(2) of the Goods And Service Tax Act, 2017 (In short "GST Act") read with rule 80(3) of the Goods and Service Tax Rules (In short "GST Rules, 2017") for the financial year ended 31st March, xxxx we acknowledge our responsibility for the maintenance of books of accounts, related documents, relevant registers in accordance with the requirements of the GST laws and as per the recognized accounting standards and practices as issued by the ICAI.

This letter is provided to you in connection with the conduct of audit by you/ your firm* under the GST Laws, and for the purpose of carrying out the attest function in FORM GSTR-9C based on our letter of engagement dated and your acceptance letter dated We confirm to the best of our knowledge and belief that-

I. Place of Business

We do not have other place of business inside the State other than those stated in the registration certificate (each distinct person is registered separately). We confirm that each of the places of business stated in the said registration certificate is duly registered under the GST laws within the State.

II. Outward Supply

- a) We have not affected any supply of goods or services or both from places other than those declared in the certificate of registration and the returns filed from time to time. All kinds (inter-State and intra-State) of supplies/ supply returns including sale of assets, if any, have been duly classified and properly accounted for in the outward supply register or duly recorded in the appropriate books of accounts. They have been properly reflected in the returns filed under the GST laws.
- b) The classification of data in respect of B2B and B2C outward supplies have been correctly classified and accounted for in our returns.

- c) The deemed supply transactions viz., supplies to related parties or supplies between distinct entities/ distinct persons are valued as per valuation rules.

III. Inward Supply

We have not affected any intra-State, inter-State inward supplies or imports into the State other than those declared in FORM GSTR-9 and FORM GSTR-9C and the returns filed as prescribed. All inward supplies of goods and/ or services/ inward supply returns including inward supplies of assets, if any, have been duly classified and properly accounted in the relevant register(s). They have been properly reflected in the returns filed from time to time.

IV. Transitional Credits

- a) We have claimed transitional credits as per the provisions of the GST laws.
- b) We confirm that the goods cleared to/ by/ from* job workers by way of stock transfers, sale on approvals and supplies to agents have been reconciled with the transactions as declared in books of accounts. We have reconciled the data of FORM Trans-1/ FORM Trans-2 with the data as declared in books of accounts.
- c) We confirm having complied with the provisions of section 171 of the CGST Act in respect of anti-profiteering.

V. Documentation

- a) We confirm that we have issued the e-way bill/ delivery note as per the provisions of the GST law.
- b) We confirm that we have obtained the statutory Forms/ declarations like LUT, etc. from the GST authority as per the provisions of the GST law.
- c) During the year, appeals, if any, are filed against the demand order/ refund rejected order* mainly on the ground of and the matter is pending hearing/ adjudication before the appropriate authority.
- d) The entries in Electronic Liability Ledger, Electronic Credit Ledger and Electronic Cash Ledger for the financial year are reconciled with the transactions in returns and the books of accounts.
- e) We have issued the self-invoices and payment vouchers in respect of transactions that are liable to tax on reverse charge in case of inward supplies effected from un-registered suppliers.
- f) We have maintained relevant records in respect of goods sent to/ received from job workers and correctly accounted for those transactions. We confirm that all goods sent to job workers have been received back within the timelines prescribed.

- g) We have not raised any tax invoices or supply bills other than the series reported in the supply ledgers. However, in respect of deemed supply, advances, the invoice series differ and are duly accounted.
- h) We confirm that we have maintained appropriate stock records as required under the GST laws.
- i) We have issued only ONE ORIGINAL Tax Invoice/ Bill of Supply/ Debit Note or Credit Note as the case may be, and all other copies are marked as DUPLICATE/ TRIPLICATE etc.,
- j) We have prepared the monthly returns based on the books of accounts maintained. The copies of the returns filed with the authorities were submitted/ furnished to you for the purpose of your GST audit.
- k) We confirm that the relevant registers relating to FORM GSTR-9C etc. have not been produced to you for your verification and report.

VI. Classification

- a) We have classified the goods/ services supplied by our concern and charged the rate of tax, in accordance with the applicable Schedules and/ or notifications/ advance rulings etc., under the GST laws.
- b) We confirm that we have correctly classified the activities as supply of goods and/ or supply of services as per Schedule-II of GST law.
- c) The turnovers of inward and outward supplies relating to classification of goods and/ or services based on HSN affected by us and as shown on the invoices, books and records and in the financial statement are correct.
- d) During the year, application for Advance Ruling has been sought and the same is pending before the Authority.

VII. Reconciliation

- a) We understand that reconciliation of data provided to you based on the books and records, returns, relevant registers etc., have been matched with financials and relevant returns filed by us from time to time in terms of the GST laws. We reiterate and confirm that in respect of auditors appointed by us to carry out the attest function under the GST laws in respect of other States/ UT's have been provided the relevant data from the very same books and records maintained by us. We confirm that the inward and outward supplies including non-GST transactions, deemed supplies (transactions without consideration) and such other transactions have been duly consolidated and matched with the financials.

- b) We confirm that we have internally derived the turnover from the audited financial statements in case of multi GSTIN units under same PAN and reconciled the total turnover as arrived in Table-5A of FORM GSTR-9C.
- c) We have taken adequate care to reconcile the data with books, records and financial statements in respect of the first quarter of the financial year 2017-18 since; such data relates to the erstwhile indirect tax laws.

VIII. Input Tax Credit

- a) We have paid CGST/ SGST and IGST as per GST laws. In case of wrong payment or wrong declaration, we have repaid the correct taxes and claimed refund of the wrong payment of taxes.
- b) We confirm that we have not availed input tax credits in respect of inward supplies affected by us where we have not paid the supplier within a period of 180 days in terms of proviso to section 16(2) of the CGST Act. In such of those cases where we have availed input tax credits we confirm we have reversed such credits incorrectly availed together with interest.
- c) None of the goods on which we have claimed input credit are subsequently lost or destroyed or disposed of by way of gift, free samples, etc., requiring reversal of input credit and we understand the responsibility of preservation of various documents under the GST laws.
- d) We confirm that we have not taken any input tax credit in respect of goods/ services restricted in terms of section 17(5) of the CGST Act.
- e) We confirm that we have availed input tax credits in line with the law laid down in terms of section 49 of the CGST Act.
- f) In respect of inward supplies of goods and/ or services we confirm we have not expensed the taxes and claimed input tax credit of the very same transaction.
- g) During the year, we have not affected any inward supplies from un-registered persons other than those supported by valid self-purchase bills/ payment vouchers declared in FORM GSTR-9C and the returns filed. Input tax credit for GST paid/ payable on inward supplies affected from such unregistered suppliers (up to 12th October, 2017) has been availed in terms of the GST laws.
- h) We have claimed input tax credit on fulfilment of the relevant conditions stipulated under the relevant provisions of the GST laws.
- i) We confirm that input tax credit availed by us are in respect of use in course or furtherance of business.

- j) We are in possession of all the original tax invoices of inward/ outward supplies. We confirm having produced such original invoices for your verification during the course of your audit proceedings. We reiterate that we have availed input tax credits based on such original invoices relating to inward supplies.
- k) We have verified the calculations for reversal of credits as applicable under rule 37, 42 and 43 as at the end of the year.

IX. General

- a) The accounting policies adopted by us are set out and elaborated in Notes to Accounts attached to the audited financial statements.
- b) None of the business premises were a subject matter of inspection by GST Department's Officers during the year.
- c) We confirm that we have adhered to the provisions relating to time of supply of goods and time of supply of services in terms of section 12 and section 13 of the CGST Act. We confirm we have furnished to you/ your firm a policy document in respect of time and place of supply of goods and/ or services.
- d) We confirm and reiterate that while we have our books and records in compliance with the applicable statutes. We are in/ not in a position to furnish the State-wise financial statements for review/ audit purposes.
- e) In respect of certain transactions on which the valuation rules are applicable under the GST laws we confirm that such transactions have been recorded in the books and records appropriately while reiterating that such valuations would not stand to scrutiny under other statutes.
- f) We have noted the observations made by you/ your firm during the course of your audit and we hereby confirm that we shall be solely responsible for the impact, if any, on our tax liability by virtue of such observations.
- g) We certify that the following statements, among others, submitted to you to be true and correct:
 - i) Statement of monthly summaries of outward supplies and inward supplies (with tax analysis);
 - ii) Statement of debit note and credit note as also journal entries (with tax analysis);
 - iii) Statement of goods received inside the State and sent outside the State;
 - iv) Outward supplies and inward supplies of fixed assets;
 - v) Details of other income/ miscellaneous income;

- vi) Details of expenses on which input tax credit is claimed together with tax analysis thereof;
- vii) Reconciliation of outward supply and inward supply with ledger.

The word “certify” or “true and correct” indicate absolute level of assurance expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures considered appropriate to reduce the engagement risk to zero.

For

Partner/ Proprietor/ Director/ Authorized Signatory

Note:

*Strike out whichever is not applicable

**Attention of the readers is invited to the fact that the suggested format of the management representation is only illustrative. There could be several issues that may not have been covered in the same which may warrant suitable inclusions or exclusions or may even warrant issue of a separate management representation/ certificate. The reader is required to make suitable modifications/ corrections in respect of the format suggested supra based on the facts and surrounding circumstances of each case under audit.

Appendix 5

Abbreviations

Sl. No	Abbreviations	Full Form
1.	AS	Accounting Standard
2.	Cess	GST Compensation Cess
3.	CGST	Central Goods and Services Tax
4.	CN	Credit Note
5.	COE	Code of Ethics
6.	CST	Central Sales Tax
7.	CTD	Commercial Tax Department
8.	CTP	Casual Taxable Person
9.	DC	Delivery Challan
10.	DE	Deemed Export
11.	DN	Debit Note
12.	DTA	Domestic Tariff Area
13.	EOU	Export Oriented Undertaking
14.	E-Way bill	Electronic way bill
15.	FE	Fixed Establishment
16.	FIRC	Foreign Inward Remittance Certificate
17.	GST	Goods and Services Tax
18.	GSTIN	Goods and Services Tax Identification Number
19.	GSTR	Goods and Services Tax Return
20.	HSN	Harmonised System of Nomenclature
21.	ICAI	Institute of Chartered Accountants of India
22.	ICWA	Institute of Cost & Works Accountant of India
23.	IGST	Integrated Goods and Services Tax
24.	IS	Inward Supply
25.	ISD	Input Services Distributor
26.	ITC	Input Tax Credit

27.	LOR	Location of Recipient
28.	LOS	Location of Supplier
29.	LR	Lorry Receipts
30.	LUT	Letter of Undertaking
31.	MRP	Maximum Retail Price
32.	NR	Non-Resident
33.	OIDAR	Online Information Database Access & Retrieval
34.	OPT	Output Tax
35.	OS	Outward Supply
36.	PAN	Permanent Account Number
37.	PT / KTPTCE Act, 1976	Professional Tax/ Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976
38.	RC	Reverse Charge
39.	RP	Registered Person
40.	SA	Standards on Auditing
41.	SAC	Services Accounting Code
42.	SEZ	Special Economic Zone
43.	SGST	State Goods and Services Tax
44.	SMC	Small and Medium Sized Companies
45.	TCS	Tax Collected at Source
46.	TDS	Tax Deducted at Source
47.	UQC	Unit Quantity Code
48.	URD / URP	Un-registered Dealer/ Un-registered Person
49.	UT	Union Territory
50.	UTGST	Union Territory Goods and Services Tax
51.	VAT	Value Added Tax

Appendix 6

Press Release

Dated 4th June, 2019

Clarifications on filing of Annual Return (FORM GSTR-9)

The last date for filing of Annual return in **FORM GSTR-9** is 30th June, 2019. The trade and industry have raised certain queries with respect to filing of this Annual return which are being clarified as follows:

- a) Information contained in **FORM GSTR-2A** as on 01.05.2019 shall be auto-populated in Table 8A of **FORM GSTR-9**.
- b) Input tax credit on inward supplies shall be declared from April 2018 to March 2019 in Table 8C of **FORM GSTR-9**.
- c) Particulars of the transactions for FY 2017-18 declared in returns between April 2018 to March 2019 shall be declared in Pt. V of **FORM GSTR-9**. Such particulars may contain details of amendments furnished in Table 10 and Table 11 of **FORM GSTR-1**.
- d) It may be noted that irrespective of when the supply was declared in **FORM GSTR-1**, the principle of declaring a supply in Pt. II or Pt. V is essentially driven by when was tax paid through **FORM GSTR-3B** in respect of such supplies. If the tax on such supply was paid through **FORM GSTR-3B** between July 2017 to March 2018 then such supply shall be declared in Pt. II and if the tax was paid through **FORM GSTR-3B** between April 2018 to March 2019 then such supply shall be declared in Pt. V of **FORM GSTR-9**.
- e) Any additional outward supply which was not declared by the registered person in **FORM GSTR-1** and **FORM GSTR-3B** shall be declared in Pt. II of the **FORM GSTR-9**. Such additional liability shall be computed in Pt. IV and the gap between the "tax payable" and "Paid through cash" column of **FORM GSTR-9** shall be paid through **FORM DRC-03**.
- f) Many taxpayers have reported a mismatch between auto-populated data and the actual entry in their books of accounts or returns. One common challenge reported by taxpayer is in Table 4 of **FORM GSTR-9** where details may have been missed in **FORM GSTR-1** but tax was already paid in **FORM GSTR-3B** and therefore taxpayers see a mismatch between auto-populated data and data in **FORM GSTR-3B**. It may be noted that auto-population is a functionality provided to taxpayers for facilitation purposes, taxpayers shall report the data as per their books of account or returns filed during the financial year.

- g) Many taxpayers have represented that Table 8 has no row to fill in credit of IGST paid at the time of import of goods but availed in the return of April 2018 to March 2019. Due to this, there are apprehensions that credit which was availed between April 2018 to March 2019 but not reported in the annual return may lapse. For this particular entry, taxpayers are advised to fill in their entire credit availed on import of goods from July 2017 to March 2019 in Table 6(E) of **FORM GSTR-9** itself.
 - h) Payments made through **FORM DRC-03** for any supplies relating to period between July 2017 to March 2018 will not be accounted for in **FORM GSTR-9** but shall be reported during reconciliation in **FORM GSTR-9C**.
2. All the taxpayers are requested to file their Annual Return (**FORM GSTR-9**) at the earliest to avoid last minute rush.

Appendix 7

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxes and Customs
Press Release**

Dated 3rd July, 2019

Clarification regarding Annual Returns and Reconciliation Statement

The Government has been receiving a number of representations regarding Annual Return (**FORM GSTR-9 / FORM GSTR-9A**) and Reconciliation Statement (**FORM GSTR-9C**). In this regard the following clarifications are issued for information of all stakeholders: -

- a) **Payment of any unpaid tax:** Section 73 of the CGST Act provides a unique opportunity of self-correction to all taxpayers i.e. if a taxpayer has not paid, short paid or has erroneously obtained/ been granted refund or has wrongly availed or utilized input tax credit then before the service of a notice by any tax authority, the taxpayer may pay the amount of tax with interest. In such cases, no penalty shall be leviable on such tax payer. Therefore, in cases where some information has not been furnished in the statement of outward supplies in **FORM GSTR-1** or in the regular returns in **FORM GSTR-3B**, such taxpayers may pay the tax with interest through **FORM GST DRC-03** at any time. In fact, the annual return provides an additional opportunity for such taxpayers to declare the summary of supply against which payment of tax is made.
- b) **Primary data source for declaration in annual return:** Time and again taxpayers have been requesting as to what should be the primary source of data for filing of the annual return and the reconciliation statement. There has been some confusion over using **FORM GSTR-1**, **FORM GSTR-3B** or books of accounts as the primary source of information. It is important to note that both **FORM GSTR-1** and **FORM GSTR-3B** serve different purposes. While, **FORM GSTR-1** is an account of details of outward supplies, **FORM GSTR-3B** is where the summaries of all transactions are declared and payments are made. Ideally, information in **FORM GSTR-1**, **FORM GSTR-3B** and books of accounts should be synchronous and the values should match across different forms and the books of accounts. If the same does not match, there can be broadly two scenarios, either tax was not paid to the Government or tax was paid in excess. In the first case, the same shall be declared in the annual return and tax should be paid and in the latter all information may be declared in the annual return and refund (if eligible) may be applied through **FORM GST RFD-01A**. Further, no input tax credit can be reversed or availed

through the annual return. If taxpayers find themselves liable for reversing any input tax credit, they may do the same through **FORM GST DRC-03** separately.

- c) **Premise of Table 8D of Annual Return:** There appears to be some confusion regarding declaration of input tax credit in Table 8 of the annual return. The input tax credit which is declared/ computed in Table 8D is basically credit that was available to a taxpayer in his **FORM GSTR-2A** but was not availed by him between July 2017 to March 2019. The deadline has already passed and the taxpayer cannot avail such credit now. There is no question of lapsing of any such credit, since this credit never entered the electronic credit ledger of any taxpayer. Therefore, taxpayers need not be concerned about the values reflected in this table. This is merely an information that the Government needs for settlement purposes. Figures in Table 8A of **FORM GSTR-9** are auto-populated only for those **FORM GSTR-1** which were furnished by the corresponding suppliers by the due date. Thus, ITC on supplies made during the financial year 2017-18, if reported beyond the said date by the corresponding supplier, will not get auto-populated in said Table 8A. It may also be noted that **FORM GSTR-2A** continues to be auto-populated on the basis of the corresponding **FORM GSTR-1** furnished by suppliers even after the due date. In such cases there would be a mis-match between the updated **FORM GSTR-2A** and the auto-populated information in Table 8A. It is important to note that Table 8A of the annual returns is auto-populated from **FORM GSTR-2A** as on 1st May, 2019.
- d) **Premise of Table 8J of Annual Return:** In the press release on annual return issued earlier on 4th June, 2019, it has already been clarified that all credit of IGST paid at the time of imports between July 2017 to March 2019 may be declared in Table 6E. If the same is done properly by a taxpayer, then Table 8I and 8J shall contain information on credit which was available to the taxpayer and the taxpayer chose not to avail the same. The deadline has already passed and the taxpayer cannot avail such credit now. There is no question of lapsing of any such credit, since this credit never entered the electronic credit ledger of any taxpayer. Therefore, taxpayers need not be concerned about the values reflected in this table. This is information that the Government needs for settlement purposes.
- e) **Difficulty in reporting of information not reported in regular returns:** There have been a number of representations regarding non-availability of information in Table **16A or 18** of Annual return in **FORM GSTR-9**. It has been observed that smaller taxpayers are facing a lot of challenge in reporting information that was not being explicitly reported in their regular statement/ returns (**FORM GSTR-1** and **FORM GSTR-3B**). Therefore, taxpayers are advised to declare all such data/ details (which are not part of their regular statement/ returns) to the best of their knowledge and records. This data is only for information purposes and reasonable/ explainable variations in the information reported in these tables will not be viewed adversely.

- f) **Information in Table 5D (Exempted), Table 5E (Nil Rated) and Table 5F (Non-GST Supply):** It has been represented by various trade bodies/ associations that there appears to be some confusion over what values are to be entered in Table 5D,5E and 5F of **FORM GSTR-9**. Since, there is some overlap between supplies that are classifiable as exempted and nil rated and since there is no tax payable on such supplies, if there is a reasonable/explainable overlap of information reported across these tables, such overlap will not be viewed adversely. The other concern raised by taxpayers is the inclusion of no supply in the category of Non-GST supplies in Table 5F. For the purposes of reporting, non-GST supplies includes supply of alcoholic liquor for human consumption, motor spirit (commonly known as petrol), high speed diesel, aviation turbine fuel, petroleum crude and natural gas and transactions specified in Schedule III of the CGST Act.
- g) **Reverse charge in respect of Financial Year 2017-18 paid during Financial Year 2018-19:** Many taxpayers have requested for clarification on the appropriate column or table in which tax which was to be paid on reverse charge basis for the FY 2017-18 but was paid during FY 2018-19. It may be noted that since the payment was made during FY 2018-19, the input tax credit on such payment of tax would have been availed in FY 2018-19 only. Therefore, such details will not be declared in the annual return for the FY 2017-18 and will be declared in the annual return for FY 2018-19. If there are any variations in the calculation of turnover on account of this adjustment, the same may be reported with reasons in the reconciliation statement (**FORM GSTR-9C**).
- h) **Role of chartered accountant or a cost accountant in certifying reconciliation statement:** There are apprehensions that the chartered accountant or cost accountant may go beyond the books of account in their recommendations under **FORM GSTR-9C**. The GST Act is clear in this regard. With respect to the reconciliation statement, their role is limited to reconciling the values declared in annual return (**FORM GSTR-9**) with the audited annual accounts of the taxpayer.
- i) **Turnover for eligibility of filing of reconciliation statement:** It may be noted that the aggregate turnover i.e. the turnover of all the registrations having the same Permanent Account Number is to be used for determining the requirement of filing of reconciliation statement. Therefore, if there are two registrations in two different States on the same PAN, say State A (with turnover of Rs. 1.2 Crore) and State B (with turnover of Rs. 1 Crore) they are both required to file reconciliation statements individually for their registrations since their aggregate turnover is greater than Rs. 2 Crore. The aggregate turnover for this purpose shall be reckoned for the period July, 2017 to March, 2018.
- j) **Treatment of Credit Notes/ Debit Notes issued during FY 2018-19 for FY 2017-18:** It may be noted that no credit note which has a tax implication can be issued after the month of September 2018 for any supply pertaining to FY 2017-18; a financial/commercial credit note can, however, be issued. If the credit or debit note for any supply

was issued and declared in returns of FY 2018-19 and the provision for the same has been made in the books of accounts for FY 2017-18, the same shall be declared in Pt. V of the annual return. Many taxpayers have also represented that there is no provision in Pt. II of the reconciliation statement for adjustment in turnover in lieu of debit notes issued during FY 2018-19 although provision for the same was made in the books of accounts for FY 2017-18. In such cases, they may adjust the same in Table 5O of the reconciliation statement in **FORM GSTR-9C**.

- k) **Duplication of information in Table 6B and 6H:** Many taxpayers have represented about duplication of information in Table 6B and 6H of the annual return. It may be noted that the label in Table 6H clearly states that information declared in Table 6H is exclusive of Table 6B. Therefore, information of such input tax credit is to be declared in one of the rows only.
 - l) **Reconciliation of input tax credit availed on expenses:** Table 14 of the reconciliation statement calls for reconciliation of input tax credit availed on expenses with input tax credit declared in the annual return. It may be noted that only those expenses are to be reconciled where input tax credit has been availed. Further, the list of expenses given in Table 14 is a representative list of heads under which input tax credit may have been availed. The taxpayer has the option to add any head of expenses.
2. All the taxpayers are requested to file their Annual Return (**FORM GSTR-9/ FORM GSTR-9A**) and Reconciliation Statement (**FORM GSTR-9C**) well before the last date of filing, i.e. 31st August, 2019.

Appendix 7

Press Release
Central Board of Indirect Taxes & Customs (CBIC)

14th November 2019

GSTR-9 and GSTR-9C are more simplified and last dates of submission extended

New Delhi: The Government has decided today to extend the due dates of filing of Form GSTR-9 (Annual Return) and Form GSTR-9C (Reconciliation Statement) for Financial Year 2017-18 to 31st December 2019 and for Financial Year 2018-19 to 31st March 2020. The Government has also decided to simplify these forms by making various fields of these forms as optional.

Central Board of Indirect Taxes & Customs (CBIC) today notified the amendments regarding the simplification of GSTR-9 (Annual Return) and GSTR-9C (Reconciliation Statement) which inter-alia allow the taxpayers to not to provide split of input tax credit availed on inputs, input services and capital goods and to not to provide HSN level information of outputs or inputs, etc. for the financial year 2017-18 and 2018-19.

CBIC expects that with these changes and the extension of deadlines, all the GST taxpayers would be able to file their Annual Returns along with Reconciliation Statement for the financial years 2017-18 and 2018-19 in time. Various representations regarding challenges faced by taxpayers in filing of GSTR-9 and GSTR-9C were received on which by the Government has acted in a very responsive manner.

It may be noted that earlier the last date for filing of GSTR-9 and GSTR-9C for Financial Year 2017-18 was 30th November 2019 while that for Financial Year 2018-19 was 31st December 2019. Notifications implementing the decisions as above have been issued today (14th November 2019).