

SEMINAR ON RETURNS & AUDIT UNDER GST
WIRC: ICAI TOWER, BANDRA KURLA COMPLEX, MUMBAI – 400 051
SATURDAY, 1st JUNE, 2019

CASE STUDIES ON GST ANNUAL AUDIT

1. Which period turnover should be considered for computing GST Audit limit of Rs. 2 Crore, i.e. turnover for the period April 2017 to March 2018 or from July 2017 to March 2018?

April 2017 to June 2017 – Rs. 75,00,000/-

July 2017 to March 2018 – Rs. 1,50,00,000/-

In the above facts whether GST Audit is required to be done?

2. Apex Ltd., a registered person has presence in 5 state with following break up of Turnover of FY 2017-18.

2.1. Maharashtra – Taxable Turnover Rs. 1.50 Crore

2.2. Gujarat – Exempted Turnover Rs. 0.75 Crore

2.3. Rajasthan – Registered as ISD – Turnover NIL

2.4. Uttar Pradesh – Registered as Casual Taxable Person – Turnover Rs. 0.50 Crore

2.5. Karnataka – Total Turnover – Rs. NIL

In which all state will Apex Ltd. require to get accounts audited under GST?

3. A Chartered Accountant has following incomes:
a) Income from profession from its proprietary concern

- b) He is also a partner in another firm and is receiving share of profit, remuneration and interest on capital from the said firm.
- c) Trading in shares
- d) Interest income from its saving bank account.
- e) Dividend income
- f) Mutual Fund Redemption
- g) Foreign exchange fluctuation gain

- 3.1. Whether all the above incomes shall be considered for the purpose of computing Rs. 2 Crore threshold limit for Audit under GST?
- 3.2. If he is registered in more than 1 State then in which State's turnover would the above incomes reflected?
- 3.3. Whether all his above incomes shall be required to be reported in the GSTR-9 and GSTR-9C?
- 3.4. From (a) to (h) which all income will form part of Clause 5A of Form GSTR-9C?
- 3.5. Whether any specific observations will have to be made in the certification part based on the reporting requirements of its various incomes?

4. For the purposes of calculation of Rs. 2 Crore limit whether value of turnover as per books of accounts needs to be considered or as per the GST provisions?

“A to Z” Tours & Travels is in the business of booking Air Tickets for both domestic and international sectors. The following are its financials –

- ✓ Sale of tickets booked on behalf of its clients – Rs. 5 Cr.
- ✓ Agency Fees – Rs. 1.50 Cr.
- ✓ Commission from Airlines – Rs. 0.75 Cr.
- ✓ Basic Fare of the international tickets sold – Rs. 3 Cr., value thereon @ 10% - Rs. 30,00,000.
- ✓ Basic Fare of the domestic tickets sold – Rs. 2 Cr., value thereon @ 5% - Rs. 10,00,000.

“A to Z” Tours & Travels would like to know whether it would be required to submit GSTR-9C based on the fact that it has opted to pay GST on the Basic Fare model i.e. GST on Rs. 40,00,000/.

Would it make a difference if it had opted to pay GST on the Commission model?

5. What is the Scope of GST Audit? Is it a merely a Reconciliation or does Auditor need to verify and certify the correctness of the turnover, taxes, refunds and all other provisions of the GST Law?

6. Form GST 9C (Reconciliation statement & Certification) has to be filed State-wise. In case where the company has multiple registrations in various states & the statutory audit report/financial statement contains consolidated data for all state. Whether GST Auditor should rely on Management Representation Letter (MRL) for State-wise turnover or should he get certificate from Statutory Auditors?

7. Certification consists of 2 formats –
Format I – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by the person who had conducted the audit

Format II – Certification in case where the reconciliation statement (Form GSTR 9C) is drawn up by person other than the person who has conducted the audit of the accounts

Statutory / Tax Auditor	GST Auditor	Which Format?
R. J. Luthia & Associates	R. J. Luthia & Associates	
Pralaynath Gendaswamy & Associates	D. R. Mehta & Associates	
Not Applicable	D. R. Mehta & Associates	

8. What is the scope of an Auditor to verify the Deemed Supply transactions as per Schedule I? We take an example of Cross charge what is the extent to which it needs to be verified and reported? Say, in following cases what would be the scope of an Auditor to verify and report:
- Full cross charge of relevant expenses and employees costs
 - Only expenses cross charge done and employees costs not considered
 - No cross charge at all even though there is cost sharing.

9. “Credit notes issued after the end of the financial year but reflected in the Annual Return (to be subtracted from turnover disclosed in clause 5A)” – what is the scope of this clause 5E and explain with an example.

[In Annual Return (GSTR-9), Credit Notes are reported at 3 places as under:

- Clause 4I – Credit notes specified in respect of transactions specified in (B) to (E) above (-)

- b. Clause 5H – Credit notes issued in respect of transactions specified in (A) to (F) above (-)
- c. Part V – Clause 11 – Particulars of transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of Annual Return of previous FY whichever is earlier.

In GSTR-9C instruction for clause 5E reads as under:

Aggregate value of credit notes which were issued after 31st March for any supply accounted in the current FY but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.

- 10. What is the difference between “Non GST Supplies” & “No Supply” as stated in column 7B of Form GSTR-9C Reconciliation Statement?

- 11. Disclosure of Outward Supplies and availment of ITC date extended till 31.03.2019 as per ROD-2, whether similarly credit note can also be issued till 31.03.2019. If not, then what impact will it have if a credit note is issued on or after October 2018? How the impact of such credit notes will be reported in GSTR-9C?

12. GST liability for the month of December 2018 was Rs. 25,00,000/-, out of which Rs. 15,00,000/- paid by 20th January, 2019 and balance Rs. 10,00,000/- paid on 31st January, 2019 and immediately GSTR-3B is filed. Assessee has paid interest on Rs. 10,00,000/- only as he is of the view that since Rs. 15,00,000/- was paid on time hence he is not required to pay interest on said amount.

GST Auditor is of the view that the assessee is liable to pay interest on Rs. 15,00,000/- also and wants to report or make a disclosure of the said interest payable.

Whether Auditor's contention of such disclosure is correct?

If yes, then where the same should be reported or disclosed in form GSTR-9C?

13. In GSTR 9C under Part III there are clauses for penalty in table 9 and 11, is Auditor required to quantify the amount of penalty and do the necessary reporting? Which all penalties needs to be reported?

Similarly, in Part V there is table for giving Auditor recommendation on additional liability. The table contains clause "Erroneous refund to be paid back". Is Auditor required to verify the refund granted/issued by department during the year? What is to be reported by the Auditor?

14. What if the income is booked in FY 2017-18 on provisional basis and no GST is paid on the same. What is the responsibility on the Auditor to identify such instances and whether any reporting is required in form GSTR-9C?

15. What is the Auditor's responsibility with respect to reconciliation between GSTR-2A with ITC claimed by the Auditee?

16. What amounts are to be disclosed in table 14 column 3 & 4, say total ITC availed is Rs. 10 lakhs out of which Rs. 2 lakhs is reversed as there is exempted turnover so which amounts will be reflected in table 14 column 3 & 4?

17. In Part IV, Clause 14 reconciliation of ITC as per GSTR 9 & Annual financial statement is to be stated. There are various head of expenses for which ITC is neither claimed by assessee nor eligible to assessee. Whether details of such amount of ITC are also required to be mentioned in column 3 (amount of total ITC) of said table?

18. If for any items of Expense accounted for in FY 2017-18, ITC claimed in GSTR-3B in FY 2018-19, whether such expenses should be reported in table 14?
If not, then does it mean that in FY 2018-19 expenses of FY 2017-18 are to be reported?

When any ITC is availed through ISD mechanism, how such ITC should be reported in table 14?

19. Goods are imported worth Rs. 1,00,000/- (CIF value) on which IGST applicable @ 18% is paid and ITC on the same is disclosed in Table 14 clause D. Simultaneously, GST is also paid @ 5% towards ocean freight on 10% of the CIF value of goods imported. Where the said amount of GST paid on ocean freight (no expenses towards freight are actually incurred by the party in India) has to be reported in Table 14?

20. If common Inputs & input Services are used partly for business & partly for Non-business purpose the proportionate ITC is required to be reversed as per Rule 42. If such ITC is not reversed in 3B return of July 2017 to September 2018 then where such reversal can be shown by Auditor in GSTR 9C, considering that such reversal effect has not been given in GSTR-9 also?

21. What stand the Auditor should take, if there is a difference of view between Auditor and Auditee. Should Auditor compute the tax liability and show the same accordingly in reconciliation statement of GSTR-9C or its sufficient if Auditor discloses the same in his Audit Report part of GSTR-9C?

Ex. As per Auditor post supply discount will not qualify for reduction from value. As per Auditee, deduction is available. What should Auditor report in clause 5F?

22. Merchant Exporter sold the goods @ 0.10% in March 2018, however the said rate of 0.10% was subject to fulfilment of various conditions and some of which had to be fulfilled by the Exporter. The exporter defaulted in fulfilling the condition of exporting the goods within 90 days which happen to fall in FY 2018-19.
Whether the said default impact the reporting in GSTR-9C and in which year's Audit the same shall be reported?

23. What types of observations, comments, discrepancies, inconsistencies are required to be reported in clause 3(a) of Certification (format I) and observations / qualifications are required to be reported in clause 5 (format I) or clause 4 (format II)? Explain with examples.
