

# **GST Audit & Documentation**

# Coverage

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- ❑ Understanding legal provisions.
- ❑ Step by Step understanding the fields in Certification along with Practical issues/ challenges
- ❑ Illustrations/ Practical FAQ's

# Legal Provisions

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**Section 35(5)** of CGST Act, 2017: Every registered person whose **turnover** during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.

# Legal Provisions

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**Turnover & Aggregate Turnover** means:

- ❑ It must be noted that the word turnover has not been defined whereas the expression “aggregate turnover” has been defined.

**Aggregate Turnover includes - [S. 2(6)]**

- i. Taxable Supplies;
- ii. Exempt Supplies;
- iii. Nil Rated;
- iv. Value of export of goods or services or both;
- v. Supplies to branches in other States having same PAN – Branch Transfer

**Excluding:**

- i. Inward supplies on which tax to be payable under RCM;
- ii. Taxes i.e. CGST+SGST+IGST+UTGST

# Audit qua GSTIN or qua Tax payer

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- ❑ In GST, registration is required for each State, from where business is carried on. [**State based registration system**] Many companies have multiple registration, like (a) Registered branches in two different States; or (b) Registrants within the same State, as **business verticals or otherwise**.
- ❑ GST audit to be carried out **only for a State** where turnover exceeds prescribed limit or of **all the States from where business is carried out irrespective of turn over**, if tax payer's turnover exceeds prescribed limit.
- ❑ Combined Reading of above provisions in the Act & Rules, it may observe that the term used is **“aggregate turnover”** which is defined in the Act **to include turnover on a PAN India basis** and so can conclude that though in few states the turnover is less than the prescribed limit but since the aggregate turnover of the company as a whole is more than two crores, the **audit needs to be carried out for all registrations of the Tax Payers**.

# Legal Provisions

## **Section 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.

# Financial Year

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The Aggregate Turnover for the purpose shall be reckoned for the period July 2017 to March 2018.

Press Release dated 3<sup>rd</sup> July 2019 [Para (i) ]

# Legal Provisions

- ❑ **Rule 80(1):** Every registered person, other than an ISD, TDS/ TCS, a casual taxable person and a non-resident taxable person, shall furnish an annual return electronically in FORM GSTR-9 through the common portal.
- ❑ Person paying tax under Section 10 shall furnish the annual return in FORM GSTR-9A.
- ❑ **Rule 80(2):** Electronic commerce operator required to collect tax at source under Section 52 shall furnish annual statement in FORM GSTR - 9B.
- ❑ **Rule 80(3):** Every registered person whose **aggregate turnover** during a financial year **exceeds two crore rupees** 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.



# Legal Provisions

- ❑ **Form 9:** Notification 39/ 2018 – Central tax dated 4<sup>th</sup> September, 2018 has notified the format of Form 9 (Annual return).
- ❑ **Form 9C:** Notification 49/2018 – Central tax dated 13<sup>th</sup> September, 2018 has notified the format of Form 9C wherein Part A consists of Reconciliation statement and Part B consists of Certification from the Auditor.

# Legal Provisions

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## **Failure to file the annual return:**

- Due date for filing 9 & 9C: Due date to file GSTR 9 along with 9C is 31st December, 2018 (Sec 44 (1) of CGST Act, 2017). However due date is extended from time to time and at present last date is **31<sup>st</sup> December, 2019**.
- Failure to file the returns: As per section 47 (2) of CGST Act, 2017, if the returns are not filed within the due date then the tax payer is liable to pay a late fee of Rs. 200/- per day (CGST Rs. 100/- and SGST Rs. 100/-) subject to a maximum amount of 0.25% of turnover.

# Legal Provisions

## **Failure to file Audit Report in Form 9C**

As per Section 125 of CGST Act, 2017, if the audit report are not filed within the due date then the tax payer is liable to pay a penalty of Rs. 25,000/- (CGST ) and Rs. 25000/- (SGST) .

# GSTR – 9C

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## **Preliminary Discussion:**

- ❑ Turnover v/s Aggregate Turnover..?
- ❑ Turnover for the period Apr 17 to June 17 – whether to be included;
- ❑ Registration obtained in middle of the year say Nov 17 – Turnover for Audit..?

# Computation of Aggregate Turnover

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- Aggregate Turnover – To be computed from financials or GST returns????;
- Fully export business – whether audit required?
- Person registered only for the purpose of RCM – RCM turnover exceeds Rs.2 Crores – whether audit required;
- GTA being registered under GST and taxes paid by the recipient of service having turnover of Rs. 10 Crores – whether audit needed?
- Interest income of Rs.1.99 crore and a Rental income of Rs.10 lacs, whether audit required;

# Computation of Aggregate Turnover

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- ❑ Interest income of Rs. 1.99 crores and Dividend income of Rs. 10 lacs, whether audit required.
- ❑ Sale of land worth Rs.1.5 crores & Post OC sale of flats for Rs.3 crores whether audit is required;
- ❑ Rental Income of Rs. 10 lakhs and Sale of land for Rs.1.95 crore whether audit required?
- ❑ Sale of alcoholic liquor of more than Rs.2 crore whether audit required.

# Computation of Aggregate Turnover

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- ❑ Whether the individuals income and the income from his trade needs to be clubbed for the purpose of computation of threshold limit of Rs.2 crores.
- ❑ Person has ISD registration in the state of Maharashtra and also in other states, whether audit is required for the state of Maharashtra.

# Computation of Aggregate Turnover

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- ❑ ABC Limited has a taxable turnover of Rs. 30 Crores but it has not obtained any registration under GST – whether audit required?
- ❑ Registration obtained in F.Y. 2017-18 and later surrendered in F.Y. 2018-19 – whether audit needed;
- ❑ XYZ limited has obtained a casual dealer registration in the state of Maharashtra– whether audit needed;
- ❑ Person has ISD registration in the state of Maharashtra and also in other states, whether audit is required for the state of Maharashtra.



# Appointment of the Auditor

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- ❑ Whether CA need to register as a GST Practitioner for doing GST Audit;
- ❑ Internal Auditor cannot be appointed as GST Auditor;
- ❑ Audit whether to be performed only by the Statutory Auditors;

# Form 9C

## Basic Details

- 1 Financial Year
- 2 GSTIN
- 3A Legal Name
- 3B Trade Name (if any)  
Name of Act, if you are liable
- 4 to audit under any Act.  
Is the person making  
reconciliation statement  
(FORM GSTR-9C) is same  
person who had conducted
- 5 the audit of mentioned GSTIN

# Form 9C

## Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

### 5. Reconciliation of Gross Turnover

\* 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

A	Financial Statement)		0.00
B	Unbilled revenue at the beginning of Financial Year	(+)	0.00
C	Unadjusted advances at the end of the Financial Year	(+)	0.00
D	Deemed Supply under Schedule I	(+)	0.00
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(-)	0.00
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	0.00
G	* Turnover from April 2017 to June 2017	(-)	0.00
H	Unbilled revenue at the end of Financial Year	(-)	0.00
I	Unadjusted Advances at the beginning of the Financial Year	(-)	0.00
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	0.00

# Form 9C

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K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	0.00
L	Turnover for the period under composition scheme	(-)	0.00
M	Adjustments in turnover under Section 15 (related person) and rules there under	(+/-)	0.00
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	0.00
O	Adjustments in turnover due to reasons not listed above	(+/-)	0.00
P	* Annual turnover after adjustments as above		0.00
Q	* Turnover as declared in Annual Return (GSTR9)		0.00
R	* Un-Reconciled turnover (Q - P)		0.00

# Form 9C

## **6. Reasons for Un - Reconciled difference in Annual Gross Turnover**

Reason 1

Reason 2

Reason 3

Reason 4

Reason 5

# Form 9C

## 7. Reconciliation of Taxable Turnover

A	* Annual turnover after adjustments (from 5P above) (T.O as determined in Audit)	0.00
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	0.00
C	Zero rated supplies without payment of tax	0.00
D	Supplies on which tax is to be paid by the recipient on reverse charge basis	0.00
E	* Taxable turnover as per adjustments above (A-B-C-D)	0.00
F	* Taxable turnover as per liability declared in Annual Return (GSTR9)	000
G	* Unreconciled taxable turnover (F-E)	0.00

# Form 9 C

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## 8. Reasons for Un - Reconciled difference in taxable turnover

Reason 1

Reason 2

Reason 3

Reason 4

Reason 5

# 5A – Turnover as per Financial Statements

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- ❑ Turnover + Direct incomes & Indirect incomes all to be considered;
- ❑ In case of multi-state GSTIN's – It is possible that the turnover is declared in the other GSTIN. It is more complex when two different auditors are appointed for two different registrations.
- ❑ Cash system of accounting – Reconciliation will be required
- ❑ Different periodicity of audit of financial statements..?
- ❑ MRL may be relied upon for Turnovers taken from Trial Balance representing the financial statements;



# 5B & 5H – Unbilled Revenue

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- ❑ Exclude the invoices raised during the period April 2017 to June 2017 from the computation.
- ❑ In case of entities with multiple registration, a separate statement to be obtained for each GSTIN reconciling the total of the unbilled revenue for each state with the amount disclosed in financials.
- ❑ Coordination with other auditors as to the values considered for this purpose.

# 5B & 5H – Unbilled Revenue

- ❑ Maintenance contract for which billing is on 5th of the subsequent month, unbilled revenue will be recognized in the books of accounts as on 31st March.
- ❑ Cost incurred as on 31st March towards construction services for which billing will be done on reaching the milestone in September 2017.
- ❑ Rental income of commercial Premises for 16<sup>th</sup> March, 2017 to 15<sup>th</sup> April, 2017 is Rs. 1 Lakh. In books of account for F.Y. 2016-17, rental income was disclosed as Rs. 50,000 as unbilled revenue based on periodicity.

# 5C & 5I – Unadjusted Advances

- ❑ The Government issued NN 40/2017-CT dated 13th October 2017 to relax Registered Persons having aggregate turnover less than Rs 1.5 crores from paying tax on such advances.
- ❑ Facility later was extended to all Registered Persons without threshold limit vide NN 66/2017-Central tax, dated 15th Nov 2017 but only in case of supply of goods.

# 5C & 5I – Unadjusted Advances

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## **Points to be noted:**

- ❑ Details of unadjusted advances to be disclosed at each GSTIN level – Details to be obtained accordingly;
- ❑ Impact of change in tax rate on advances – Increase/ decrease;
- ❑ Point of Service in case of advances;
- ❑ Advances which are in the nature of Financial Transactions (loan/ Deposits) to be ignored.

# 5D – Deemed Supplies

- ❑ Permanent transfer/disposal of business assets where ITC availed on such assets;
- ❑ Supplies between related/distinct persons – Rs.50,000/- limit in case of Gifts to employees;
- ❑ Supply of goods between principal to his agent and vice-versa;
- ❑ Interstate branch transfer;
- ❑ Services provided by HO to branch;
- ❑ Import of services from related person/establishment outside India.

# 5D – Deemed Supplies

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## **Illustrations:**

- ❑ Transfer of machinery from Mumbai Branch to Gujarat Branch without consideration for indefinite usage in production activity is a supply although there is no consideration involved.
  
- ❑ An Architect located in Sydney, Australia may provide architect services to say, his brother who is a Builder in India and is a taxable person.
  
- ❑ Foreign branch supplying manpower to Head Office located at Maharashtra.

# 5D – Deemed Supplies – How to identify

- ❑ Not recorded in financials but taxable value and taxes given in GST returns;
- ❑ No direct source from financials
  - Goods - available from other records like e waybill/delivery challans
  - Services – Understanding of the business of the client/purpose of expenditure
- ❑ Suggested to take proper MRL for ensuring the documentation of the procedures followed by management
- ❑ Audit program to contain specified procedures for identification, valuation and verification of such transactions

# 5D – Deemed Supplies- How to identify

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- Inter-branch accounts maintained
- HR Policy/ employee pay-sheets
- Once something is already recorded in the books i.e. In such a case to the extent of the valuation impact has to come in the valuation field.

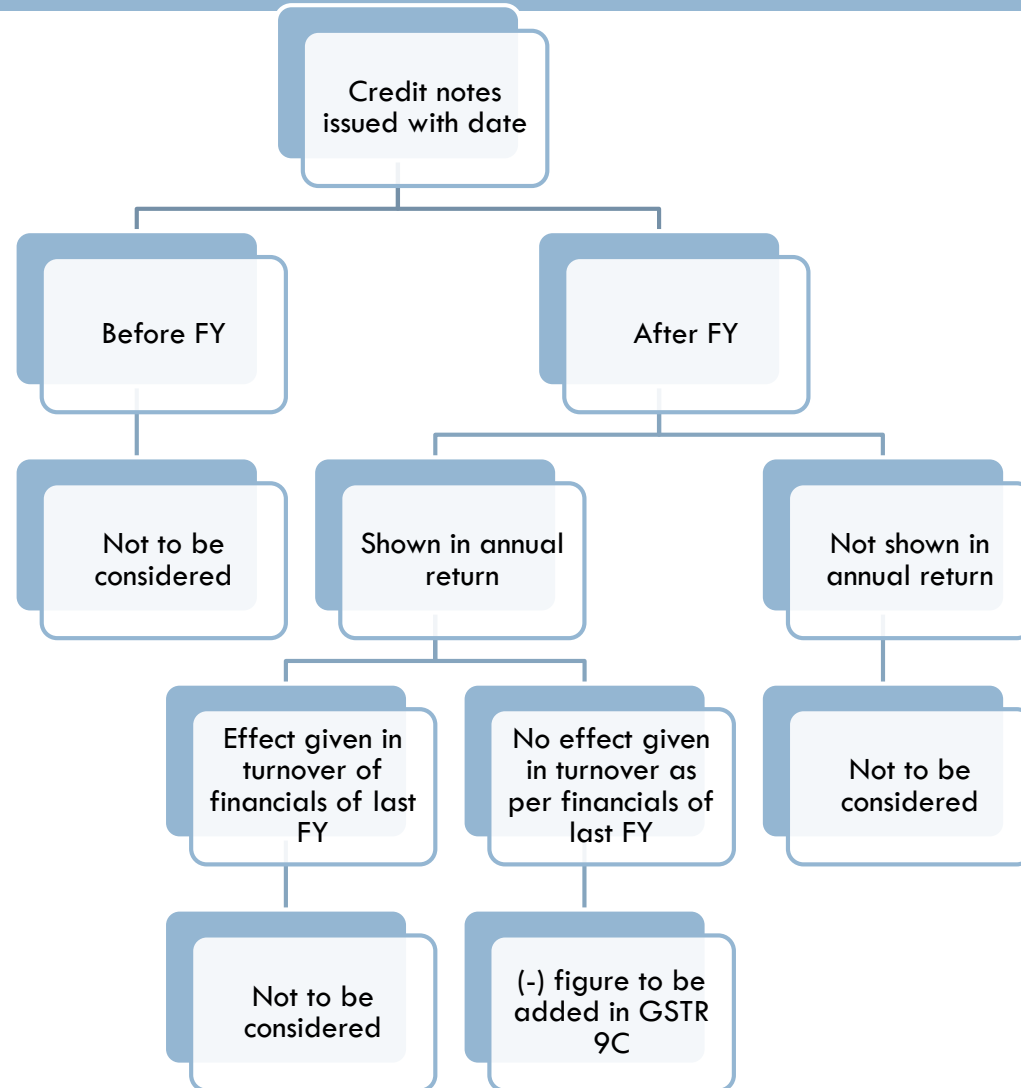


# 5E – Credit Note

□ Credit Note issued after end of the financial year corresponding to supply made during the year and not accounted in financial year is required to be mentioned here.

# 5E – Credit Note

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## 5F - Trade Discount in financials but not permissible in GST

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- ❑ Only Trade discounts to be considered which are not by way of a credit note
- ❑ Shown in credit side of PL / netted off against outward supplies
- ❑ Check if discount during GST regime is in respect of supply made in earlier law (check 142(2))
- ❑ Trade discounts reported as expenses in the in the financial statements
- ❑ Check the principles followed by the entity if GST deducted in case of discount
- ❑ Audit procedure to check allowance of discount in GST based on the documents/agreement

## **5F - Trade Discount in financials but not permissible in GST**

### **Before or at the time of supply**

- Allowed only if duly recorded in the invoice

### **After the supply has been effected**

- Discount to be established as per the agreement at/before time of supply
- Specifically linked to relevant invoice
- ITC attributable to discount reversed by the recipient (confirmation letter from customers)

# 5G - Turnover from Apr 17 to Jun 17

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- ❑ Turnover to be reduced based on requirement of payment of tax under earlier laws (excise/VAT/service tax) and not as per accounting in books.
- ❑ Services completed in Apr to Jun 2017 for which invoices issued after 30/07/2017 to be liable to service tax and includible in turnover from April to June 2017

# 5G - Turnover from Apr 17 to Jun 17

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- Goods cleared from factory on sale or approval basis before 01/07/2017 but was approved on or after 01/07/2017.  
(Liable to GST)
- Goods cleared from factory on sale or approval basis before 01/07/2017 but no action taken within 6 months. (Liable to GST)
- Stock transfer made during April to June 2017 (not liable under GST)

# 5G - Turnover from Apr 17 to Jun 17

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## POT during transition

- ❑ As per 142(11)(a), if transactions leviable to VAT, they will not be leviable to GST
- ❑ As per 142(11)(b), if transactions leviable to ST, they will not be leviable to GST
- ❑ N No.12/2017-CE dated 30/06/17 grants exemption from excise for goods manufactured prior to 01/07/17 but cleared/supplied thereafter (to be considered in GST regime)
- ❑ As per 142(11)(c), if tax on purchase/ service obtained paid under both VAT and Service Tax and supply made under GST, credit of VAT and ST allowed to pay tax in GST (added here and to be reduced in 50)

# 5J – Credit Notes in Financial Statements but not permissible in GST

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- Shown in credit side of PL - Adjustment to be given here
- Shown as expense in the P&L – No adjustment required here if CN not permissible
- CN against a Pre-GST Supply;
- Customer confirmations needs to be obtained
- Audit procedure to check allowance for deduction in GST based on the documents/agreement

## **Credit notes allowable as per Section 34**

- Taxable value / Tax in the invoice > Taxable value / Tax in respect of supply
- Goods supplied returned by the recipient
- Goods or services found to be deficient



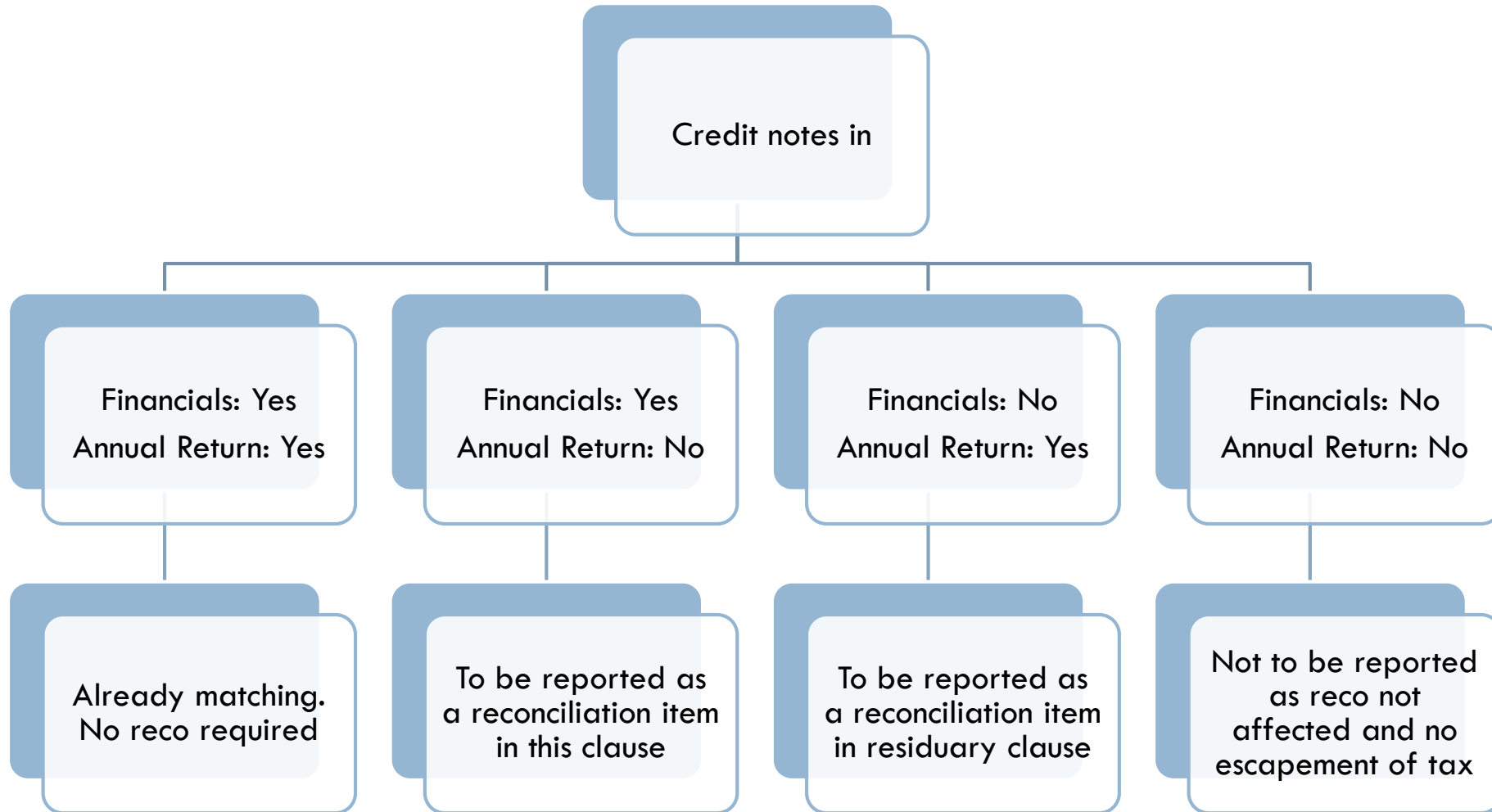
# 5J – Credit Notes in FS but not permissible in GST

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## **Common issues**

- No adjustment if credit note issued only for reduction in receivable without any adjustment to turnover
- Financial Credit note issued against inward supply not to be considered
- Not to consider credit notes issued and subsequently cancelled
- Credit notes not allowed under GST if invoice was not issued.

# 5J – Credit Notes in FS but not permissible in GST



## 5L – Turnover for the period under Composition scheme

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- ❑ Applicable to a registered person who opted out of/becomes ineligible for composition scheme during the year.
- ❑ Summation of turnover and all amendments made from July 2017 to the date of validity of composition scheme to be reported (turnover before July 17 to be ignored)
- ❑ Credit and debit notes to comply with 142(2) and to be considered as supply of the relevant period during which it is issued.
- ❑ Advances received during composition scheme to be included for reporting if adjusted against supply during the normal scheme period
- ❑ Turnover to include exempt /NIL rated supplies/Non GST Supplies etc.

# 5M – Valuation effect

Particulars	Turnover as per Accounts	Turnover as per GST
<b>Valuation Rules – Rule 32</b>		
Forex Dealers and Money changers	Turnover as per books is the gross value of currency exchanged.	Turnover under GST would be the margin as prescribed under Rule 32(2) of CGST Rules. (Difference in buying and selling rates or at option of supplier be prescribed percentage as mentioned in rule.
Air Travel Agents	Turnover as per books is gross value of air tickets sold.	Turnover under GST would be 5% of basic fare for domestic travel tickets and 10 % for international travel tickets under Rule 32(3) of CGST Rules.
Life insurance business	Turnover as per books is gross premium received.	Turnover under GST would be prescribed percentage of premium received as per Rule 32(4) of CGST Rules.
Dealer in second hand goods.	Turnover as per books is sale value of goods.	Turnover under GST would be margin prescribed under Rule 32(5) of CGST Rules. [N. No. 8/2018 CTR, dated 25-01-2018 – Car]

# 5M – Valuation effect

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- Sale Second Hand Car: WDV is to be reduced from the actual sale price to arrive at taxable value
- Inter branch transactions – Valuation to be at par with other similar transactions
- Service provided to branch – Should be charged

# 5M – Exchange Difference

## Goods

- ❑ The rate of exchange for determination of value of taxable goods shall be the applicable rate of exchange as notified by the Board under section 14 of the Customs Act, 1962 for the date of time of supply of such goods in terms of section 12 of the Act.

## Services

- ❑ The rate of exchange for determination of value of taxable services shall be the applicable rate of exchange determined as per the generally accepted accounting principles for the date of time of supply of such services in terms of section 13 of the Act.

# 5N – Other Disclosures

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- Sale of capital goods, only the profit / loss arising on the sale of such capital goods is disclosed in the Profit and Loss account.
- Notice pay recovered from employees
- Incentives / Rebate received from supplier and
- considered as supply under GST

**Reconciliation of tax paid**

**9. Reconciliation of rate wise liability and amount payable thereon**

		Taxable Value	Central Tax	Tax payable		
				State tax/UT tax	Integrated tax	Cess, if applicable
A	5%	0.00	0.00	0.00	0.00	0.00
B	5% (RC)	0.00	0.00	0.00	0.00	0.00
C	12%	0.00	0.00	0.00	0.00	0.00
D	12% (RC)	0.00	0.00	0.00	0.00	0.00
E	18%	0.00	0.00	0.00	0.00	0.00
F	18% (RC)	0.00	0.00	0.00	0.00	0.00
G	28%	0.00	0.00	0.00	0.00	0.00
H	28% (RC)	0.00	0.00	0.00	0.00	0.00
I	3%	0.00	0.00	0.00	0.00	0.00
J	0.25%	0.00	0.00	0.00	0.00	0.00
K	0.10%	0.00	0.00	0.00	0.00	0.00
L	Interest	0.00	0.00	0.00	0.00	0.00
M	Late Fee	0.00	0.00	0.00	0.00	0.00
N	Penalty	0.00	0.00	0.00	0.00	0.00
O	Others	0.00	0.00	0.00	0.00	0.00
P	* Total amount to be paid as per tables above	0.00	0.00	0.00	0.00	0.00
	* Total amount paid as declared in Annual					
Q	Return (GSTR 9)	0.00	00	0	0	0.00
R	* Un-reconciled payment of amount	0.00	0	0	0	0.00



# Rate wise reconciliation

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- ❑ Reverse charge details needs to be disclosed only here;
- ❑ Taxes needs to be manually entered;
- ❑ Care to be given while disclosing the details of Cess;
- ❑ Mapping from the Turnover as arrived at in 7E of the above table either by way of a Top Down approach or a Bottom Up approach;
- ❑ Mechanism of disclosure of RCM details;
- ❑ Rate wise bifurcation of the taxable values/ taxes in the Books of accounts
- ❑ Mis-match with GSTR 3B or GSTR 1 with BOA or inter se between GSTR 1 & 3B

# Rate wise reconciliation

- ❑ Reverse charge details needs to be disclosed only here;
- ❑ Auditor does not take the position of the assessment officer – variation to be reported in the Audit report;
- ❑ CGST/ SGST paid as IGST and vice-versa – If assessee agree and there is same view then the correct type of tax to be reported;
- ❑ Interest, late fee, penalty etc. to be computed as per records and not merely the interest paid by the assessee;
- ❑ Breaking up of the interest, penalties in CGST/ SGST and IGST;
- ❑ Breaking up the values & Taxes from the Books.
- ❑ All the reconciliations supplement each other and do not duplicate;
- ❑ Impact in case assessee has made excess tax payment;

## 10. Reasons for un-reconciled payment of amount

Reason 1

Reason 2

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

	Taxable Value	To be paid through Cash			Cess, if applicable
		Central Tax	State tax/UT tax	Integrated tax	
5%	0.00	0.00	0.00	0.00	0.00
12%	0.00	0.00	0.00	0.00	0.00
18%	0.00	0.00	0.00	0.00	0.00
28%	0.00	0.00	0.00	0.00	0.00
3%	0.00	0.00	0.00	0.00	0.00
0.25%	0.00	0.00	0.00	0.00	0.00
0.10%	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00
Late Fee	0.00	0.00	0.00	0.00	0.00
Penalty	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00

## 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)		0.00
B	* ITC booked in earlier Financial Years claimed in current Financial Year	(+)	0.00
C	* ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	0.00
D	* ITC availed as per audited financial statements or books of account		0.00
E	* ITC claimed in Annual Return (GSTR9)		0.00
F	* Un-reconciled ITC		0.00

### 13. Reasons for un-reconciled difference in ITC

Reason 1			
Reason 2			

## 12A Disclosure of ITC Availed

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- Net ITC to be disclosed after adjustments, reversals, DN/ CN;
- ITC availed from July 17 to Mar 18 to be considered for the FY 2017-18;
- ITC availed in the ISD registration;
- Disclosure of ITC claimed as refund;
- Disclosure of Compensation Cess;
- Details to be taken based on ITC ledgers maintained in BOA.
- Due care to be taken to segregate Transitional credit.

# 12B ITC Booked in Earlier FY

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- ❑ Closing balance in service tax, excise, VAT returns transferred to GST u/s 140(1);
- ❑ 50% credit of capital goods availed by the assessee through Form TRAN 1;
- ❑ Credit on stocks availed by the assessee in Form TRAN 1;
- ❑ Credit on stocks availed by the assessee in Form TRAN 2;
- ❑ Credit is availed by the assessee under section 142(11)(C) in Form TRAN 1 in case where both VAT and service tax is been paid on the transaction mainly in works contracts and construction service

**14. Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account**

	Value	Amount of Total ITC	Amount of eligible ITC availed
A Purchases	0.00	0.00	0.00
B Freight / Carriage	0.00	0.00	0.00
C Power and Fuel	0.00	0.00	0.00
D Imported goods (Including received from SEZs)	0.00	0.00	0.00
E Rent and Insurance	0.00	0.00	0.00
F Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples	0.00	0.00	0.00
G Royalties	0.00	0.00	0.00
H Employees Cost (Salaries, wages,Bonus etc.)	0.00	0.00	0.00
I Conveyance charges	0.00	0.00	0.00
J Bank Charges	0.00	0.00	0.00
K Entertainment charges	0.00	0.00	0.00
L Stationery Expenses (including postage etc.)	0.00	0.00	0.00
M Repair and Maintenance	0.00	0.00	0.00
N Other Miscellaneous expenses	0.00	0.00	0.00
O Capital goods	0.00	0.00	0.00
P Any other expense 1	0.00	0.00	0.00
Q Any other expense 2	0.00	0.00	0.00
Q1 Any other expense 3	0.00	0.00	0.00
Q2 Any other expense 4	0.00	0.00	0.00
Q3 Any other expense 5	0.00	0.00	0.00
R * Total amount of eligible ITC availed	0.00	0.00	0.00
S * ITC claimed in Annual Return (GSTR9)	0.00	0.00	0
55 T * Un-reconciled ITC	0.00	0.00	0

15. Reasons for un - reconciled difference in ITC

# Auditors Recommendation

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- ❑ Recommendation may or may not be accepted by the assessee;
- ❑ Recommendations to be at individual invoice level – Need to recommend to pay appropriate taxes i.e. CGST/SGST or IGST at an appropriate rate.



	(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 .....

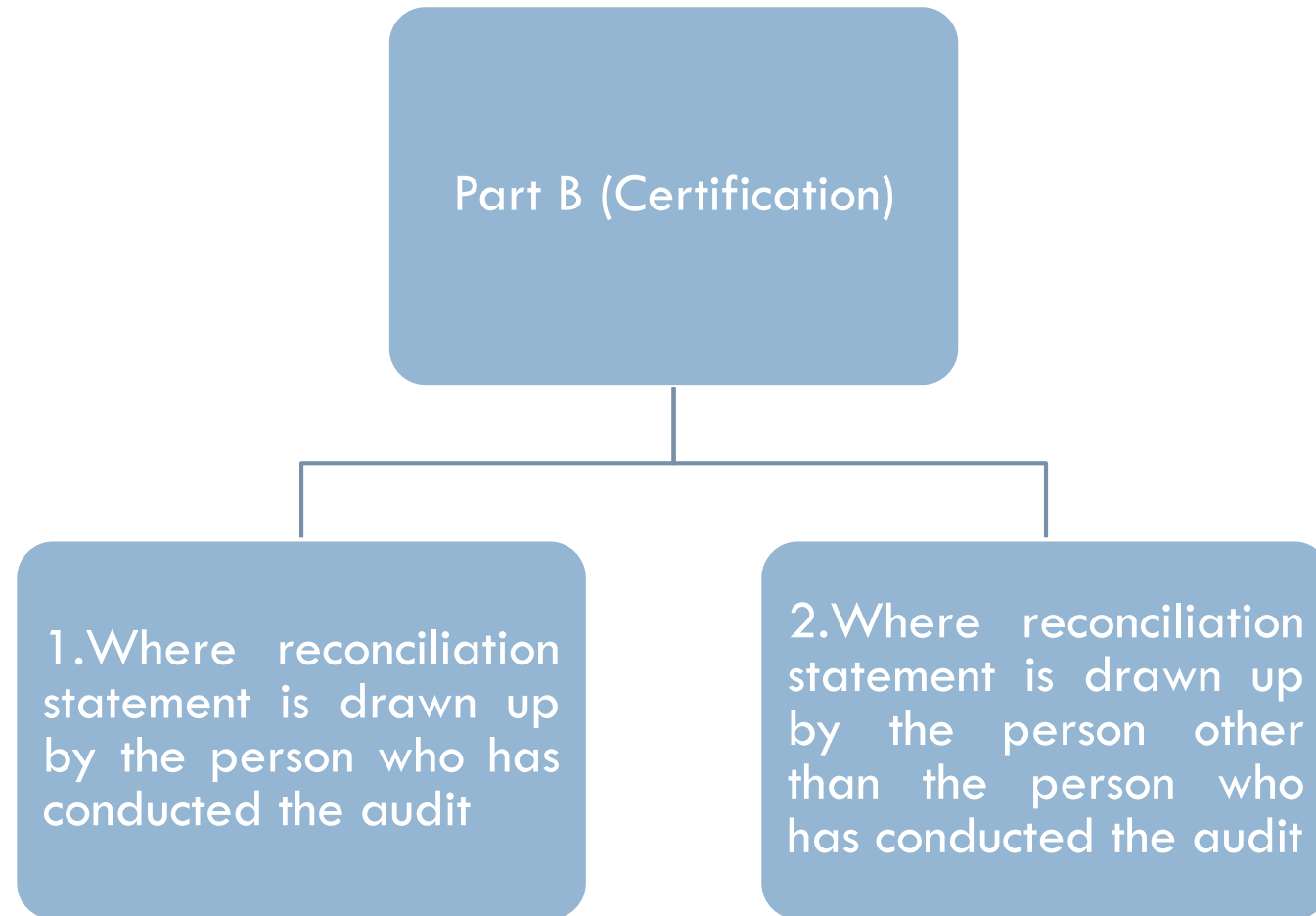
Membership No.....

Date: .....

Full address .....

# PARTS OF CERTIFICATION

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## **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 from .....to ending on ....., and

(c) the cash flow statement for the period beginning from .....to 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.

(C) I/we certify that the balance sheet, the \*profit and loss/income and expenditure account and the cash flow Statement are \*in agreement/not in agreement with the books of account maintained at the Principal place of business at .....and \*\* .....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 (FORM 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 the .....Act, 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 from .....to ending on .....,

(c) the cash flow statement for the period beginning from .....to 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 and Reconciliation Statement required to be furnished under section 44(2) of the CGST 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.9C are true and correct subject to the 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** .....”



**Auditor's recommendation on additional Liability due to non-reconciliation**

	Taxable Value	Central Tax	To be paid through Cash		Cess, if applicable
			State tax/UT tax	Integrated tax	
5%	0.00	0.00	0.00	0.00	0.00
12%	0.00	0.00	0.00	0.00	0.00
18%	0.00	0.00	0.00	0.00	0.00
28%	0.00	0.00	0.00	0.00	0.00
3%	0.00	0.00	0.00	0.00	0.00
0.25%	0.00	0.00	0.00	0.00	0.00
0.10%	0.00	0.00	0.00	0.00	0.00
Input Tax Credit	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00
Late Fee	0.00	0.00	0.00	0.00	0.00
Penalty	0.00	0.00	0.00	0.00	0.00
Any other amount paid for supplies not included in Annual Return (GSTR 9)	0.00	0.00	0.00	0.00	0.00
Erroneous refund to be paid back	0.00	0.00	0.00	0.00	0.00
Outstanding demands to be settled	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00

# Certification under GST

- ❑ 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 there in 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”.

# Certification under GST

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- ❑ Maintained/ or properly maintained – concept of materiality
- ❑ Point 4 - This is a repetition point already covered in the above point.
- ❑ Point 5 – True and Correct need not cover every invoice/ document etc. As per accounting guideline of ICAI, same is also covered under the income tax act.
- ❑ Qualifications may provide for post facto events has to be mentioned that this is subject to forex realization in case of exports.
- ❑ Records not maintained at branches/ depots in other states.

# Safeguards

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- Documentation as to verification aspects;
- Take Management Representation Letter;
- Whether doubt, whether experts view / precedents are referred;
- Difference in view to be reported.

# Recommendations made during 31<sup>st</sup> Meeting of the GST Council

- The following clarificatory changes, inter-alia, shall be carried out in the formats/instructions according to which the annual return / reconciliation statement is to be submitted by the taxpayers:
- i) Amendment of headings in the forms to specify that the return in FORM GSTR-9 & FORM GSTR-9A would be in respect of supplies etc. 'made during the year' and not 'as declared in returns filed during the year';
  - ii) All returns in FORM GSTR-1 & FORM GSTR-3B have to be filed before filing of FORM GSTR-9 & FORM GSTR-9C;
  - iii) All returns in FORM GSTR-4 have to be filed before filing of FORM GSTR-9A;
  - iv) Additional payments, if any, required to be paid can be done through FORM GST DRC-03 only in cash;

# Recommendations made during 31st Meeting of the GST Council

- vi) ITC cannot be availed through FORM GSTR-9 & FORM GSTR-9C;
- vii) All invoices pertaining to previous FY (irrespective of month in which such invoice is reported in FORM GSTR-1) would be auto-populated in Table 8A of FORM GSTR-9;
- viii) Value of “non-GST supply” shall also include the value of “no supply” and may be reported in Table 5D, 5E and 5F of FORM GSTR-9;
- ix) Verification by taxpayer who is uploading reconciliation statement would be included in FORM GSTR-9C.

# 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.

# Clarification regarding Annual Returns and Reconciliation Statement

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.



# Clarification regarding Annual Returns and Reconciliation Statement

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 autopopulated from FORM GSTR-2A as on 1st May, 2019.

# Clarification regarding Annual Returns and Reconciliation Statement

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.

# Clarification regarding Annual Returns and Reconciliation Statement

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

# Clarification regarding Annual Returns and Reconciliation Statement

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).

- i) 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.

# Clarification regarding Annual Returns and Reconciliation Statement

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.

# Clarification regarding Annual Returns and Reconciliation Statement

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.

# Thank You

**C.A. Bharat Gosar**