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# Practical Aspect Of GST Audit Documentation

Venue: ICAI BKC

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# Why Thrust on documentation?

## Part B.I of GST Audit Report

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

**OR**

**\*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.

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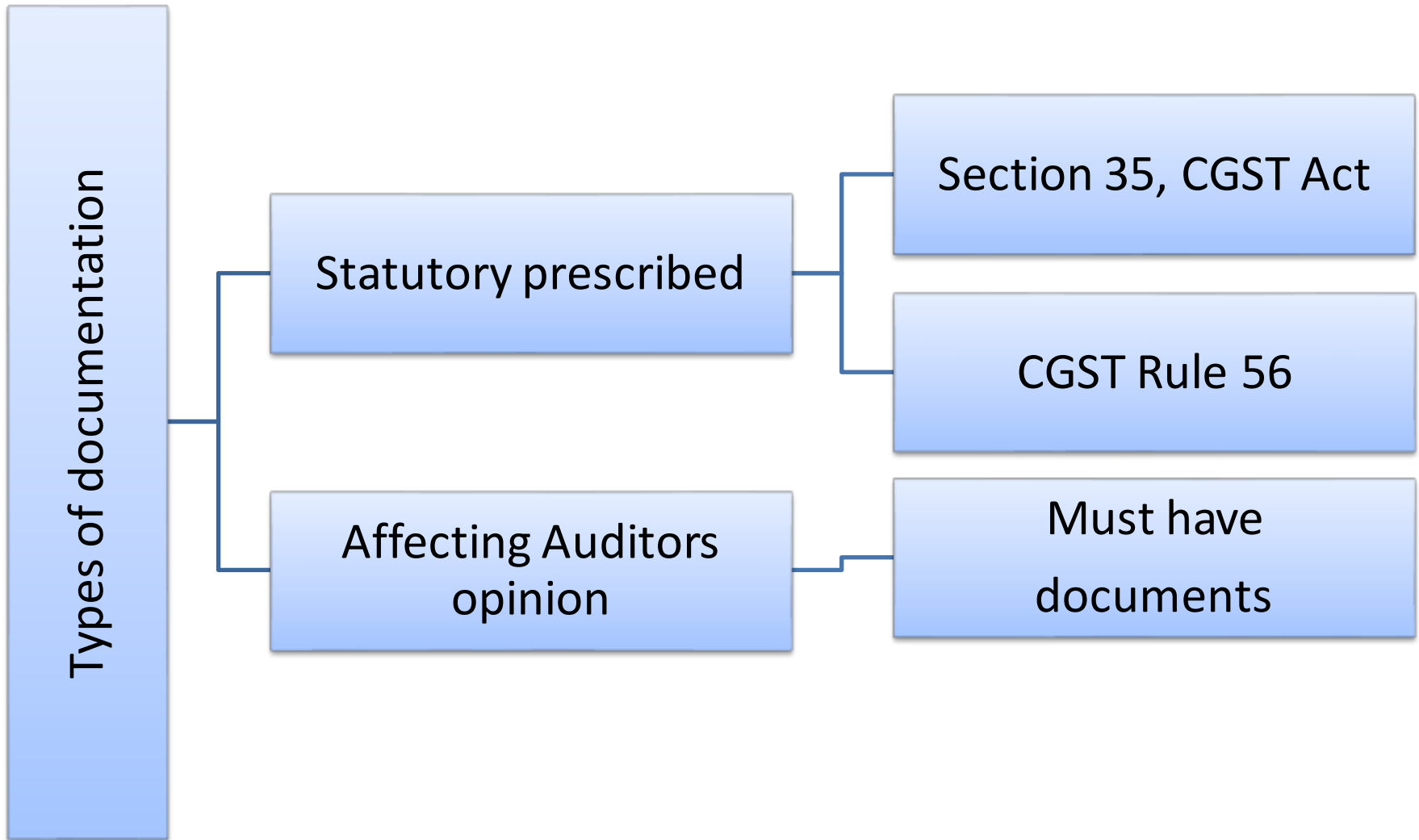
# Why Thrust on documentation?

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- **SA 230 – Audit Documentation**
- **Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirement**
- **How to Prove Auditor was not GROSSLY NEGLIGENT?**

# Types of Documentation

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# Section 35(1) CGST Act

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Every RTP to maintain a **true and correct account** of

- (a) **production** or manufacture of goods;
- (b) **inward and outward supply** of goods or services or both
- (c) **stock** of goods (RM / WIP/ FG)
- (d) input tax credit availed (**ITC**)
- (e) output tax payable and paid and
- (f) such other particulars as may be prescribed (**Rule 56**)

# Rule 56 of CGST Rules

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Every RTP to maintain a **true and correct account of** (in addition of documents prescribed in Section 35(1)

(a) goods or services **imported or exported**

(b) supplies attracting payment of tax on **reverse charge**

(c) **invoices**, bills of supply, delivery challans, credit notes, debit notes, receipt

(d) accounts of stock in respect of goods received and supplied by RTP with particulars of **opening, receipts, supply and closing balance, scraps and wastage** (For Raw Materials as well as Finished Goods)

# Rule 56 of CGST Rules

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- (e) **goods lost, stolen, destroyed, written off or disposed** of by way of gift or free sample
- (f) **advances received, paid and adjustments** made thereto
- (g) details of tax payable (Forward + reverse charge) tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan
- (h) names and complete addresses of **suppliers** from whom RTP has received the goods or services
- (i) names and complete addresses of the persons to whom he has **supplied** goods or services



# Rule 56 of CGST Rules

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(j) complete **address of the premises where goods are stored by him, including goods stored during transit** along with the particulars of the stock stored therein.

(k) Manufacture to maintain **monthly production accounts** showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof

(l) Service Provider to maintain details of goods used in the provision of services, details of input **services utilised and the services supplied**



# Rule 56 of CGST Rules

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- (m) **Works contractor** to maintain
- the **names and addresses of the persons** on whose behalf the works contract is executed
  - description, value and quantity (wherever applicable) of goods or services **received** for the execution of works contract
  - description, value and quantity (wherever applicable) of goods or services **utilized** in the execution of works contract
  - the details of **payment received** in respect of each works contract; and
  - the **names and addresses of suppliers** from whom he received goods or services.

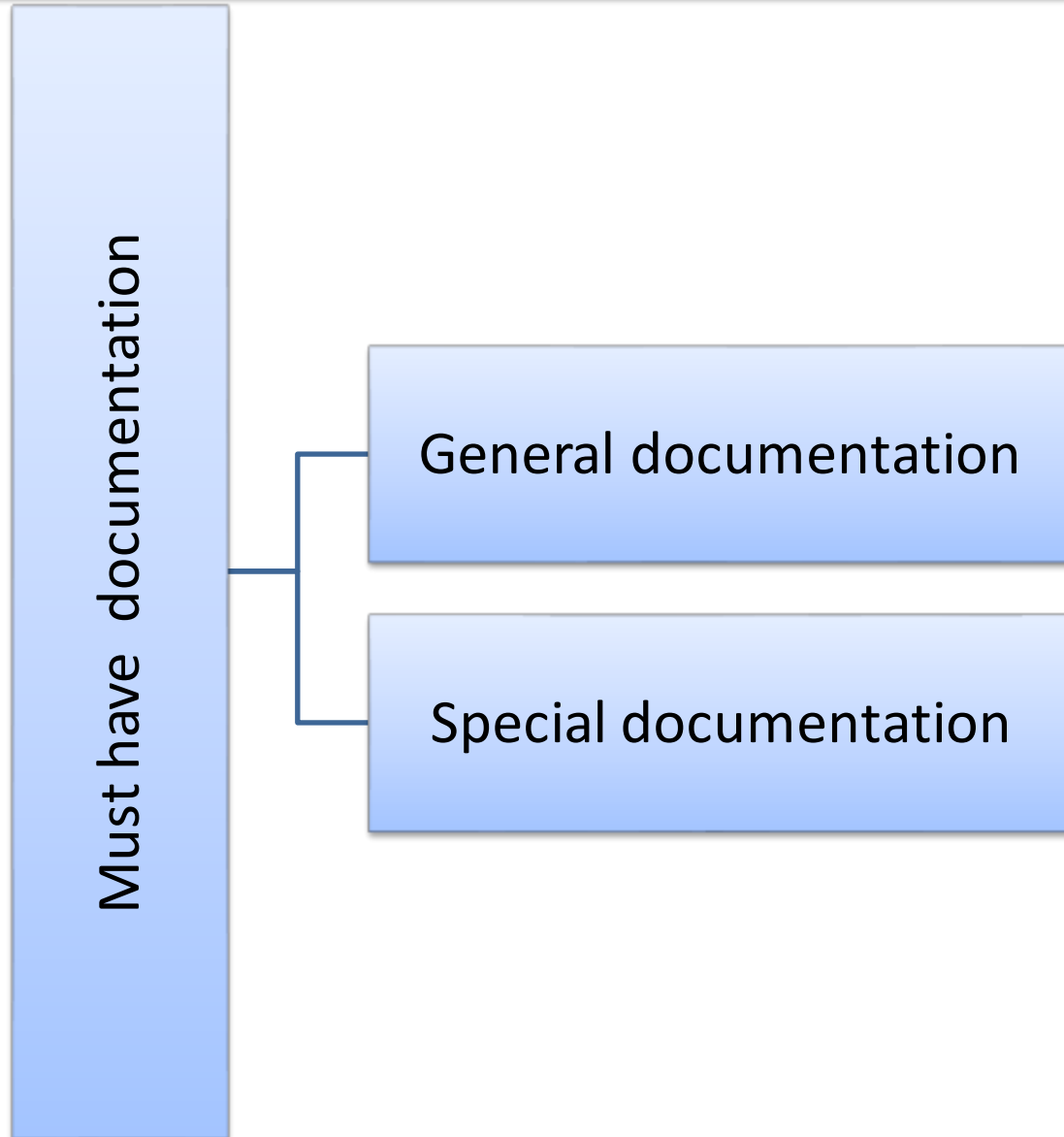
# Rule 56 of CGST Rules

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- (n) **Agent dealing in goods on behalf of principal** to maintain
- particulars of **authorization received by him from each principal** to receive or supply goods or services on behalf of such principal separately;
  - particulars including description, value and quantity (wherever applicable) of **goods or services received** on behalf of every principal;
  - particulars including description, value and quantity (wherever applicable) of **goods or services supplied** on behalf of every principal;
  - **details of accounts furnished to every principal**; and
  - **tax paid on receipts or on supply of goods** or services effected on behalf of every principal.

# Must have documentation

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# Must have documents – General

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- **Appointment / Engagement Letter - backed by Board Resolution in case of corporate clients**
- **Acceptance letter**
- **Communication with previous VAT auditor**
- **Copy of Signed Financials and Annual Report + Tax Audit Report + 3CEB**
- **Copy on Internal Audit report, if any.**
- **State wise Trial Balance in case of multi GSTIN clients, if available / MRL**
- **Copy of GST Registration certificate**
- **Note on Basic of Nature of business**
- **Details of Goods and Services dealt in by Auditee, preferably HSN wise**
- **Note on Software used by auditee for accounting data**
- **Note on Accounting policy**
- **ITC Register**
- **Last filed VAT / Service Tax / Excise Return**
- **Copy of TRANS-01 and TRANS-02 , Treatment of KKC and other cess**
- **Copy of GSTR-3B and GSTR-1 of 1718 and 1819**
- **Copy of Electronic Credit Ledger / Electronic Cash ledger of FY 1718**

# Must have documents – General

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- **List of related parties / transaction with employees**
- **List of documents referred in Table 13 of GSTR-1**
- **Copy of Invoice for Major Purchase and Sale of Capital Goods – Fixed Assets Schedule**
- **Bifurcation of miscellaneous income.**
- **Working of Rule 42 and 43 Reversal**
- **Bifurcation of blocked credits**
- **Proof of Tran-II Credit passed on**
- **GSTR-2A reconciliation to the extent possible**
- **List of Supply of 1718 shown in 3B of FY 1819**
- **List of ITC of FY 1718 claimed in 3B of FY 1819**

# Special Documentation

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## Basic Supply documents

- **Sample Sales Invoice of Major Item of output**
- **Is there any Composite Supply / Mixed supply / Independent supply?**
- **Sample Purchase invoice of Major Input, Input Services, Capital Goods**
- **Important Sales and Purchase contracts / agreement**
- **Description of Exempted outward supply and sample Bill of Supply**
- **List of related parties / employees and Transaction with them**
- **MRL on how transaction with related parties / distinct person satisfies test of valuation rules**
- **MRL on instance of all Schedule I transactions**
- **Stock Records**
- **Applicable Rate notification for outward supply**

# Special Documentation

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## If Auditee is a Exporter

- Copy of LUT / submission for condonation
- Proof of Export within a period of 3 months from date of invoice
- Copy of Export Invoice with IGST / without IGST / Necessary declaration
- Copy of IEC / RCMC certificate
- Copy of FIRCs (Service Provider) / Receipt within a period of 1 year / Condonation
- Copy of sample shipping bill (Goods)
- Copy of RFD-01A filed for FY 1718
- Copy of Refund order received, if any , reason for non receipt of receipt
- Few sample extract from ICEGATE website (Export of Goods)
- Outward supply of Goods to SEZ

Proof of said **goods have been admitted in full** in the Special Economic Zone for authorized operations, as endorsed by the specified officer of the Zone

- Outward supply of services to SEZ

Evidence regarding receipt of services for **authorized operations** as endorsed by the specified officer of the Zone

- Treatment of ITC involved in Capital Goods purchased



# Special Documentation

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## **If Inward supply from SEZ**

- **Goods : Auditee will file BOE, pay IGST**
- **Services : SEZ will charge GST, NO RCM**

## **If Auditee is a Importer**

- **IGST paid challans**
- **Few tracking of Import on ICEGATE**
- **Copy of sample Bill of Entries**

## **If Auditee deals in Inverted Duty Supply**

- **Detailed business process to justify inverted duty Refund**
- **Whether Refund application filed and outcome ?**
- **Whether dealing in Goods, where inverted duty refund is denied?**
- **Treatment of ITC involved in Input Services and Capital Goods?**

# Special Documentation

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## If Auditee is claiming exclusion from value

- Reason from exclusion
- Is It reimbursement? Rule 33 CGST satisfied
- Is it pre agreed post supply discount?
- Reason for credit note?
- Date of issue of credit note
- Whether disclosed in GSTR-1 upto Sep 18?

## Deemed Exports

- Whether tax is collected from buyer or paid on our own?
- Who has claimed refund?
- Proof of Deemed Export

# Special Documentation

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## **Any foreign exchange payments / disclosure in financials?**

- **Is it Import of Services ?**
- **Whether applicability of RCM ?**

## **Any adverse remark in SAR / CARO / TAR / Internal Audit Report?**

- **Assessment of likely impact on GST Audit Report**

## **Any Past litigation in Excise / Service Tax / VAT regime?**

- **Assessment of likely impact on GST Audit Report**

## **Whether client is covered under special valuations Rules?**

- **Forex dealer**
- **Insurance companies**
- **Air Travel agents**
- **Old car dealers etc**

# Special Documentation

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## **Builder Clients**

- **Supply V/s Income Reco**

## **Documentation on Free Supply, Samples , 1+ 1 Free etc**

- **Whether business policy is in compliance with Circular no. 92**

## **Any Change in GST on outward supply during FY 1718?**

- **Whether rate reduction benefits passed on in case of MRP based goods?**

**Whether client is claiming benefit of seis, meis, lower drawback? If no reason thereof**

**Bifurcation of pre and post GST income**

**Pharma Company, Disposal of goods / Branch Transfer / Free supply**

# Special Documentation

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## **If auditee is a NBFC**

- Whether 50% ITC reversal offered or
- Normal scheme of ITC is obtained

## **If auditee is a stock broker**

- Stand taken on taxability of stamp duty, Sebi fees, Stock exchange charges
- PMS service provided to NRI

## **Treatment of interest income**

- Whether treated as exempt Income for reversal of ITC or
- Ignored for the purpose of reversal ?

## **Any inward supply from government?**

- Whether such supply is exempted?
- Whether such supply is subject to RCM?

# Special Documentation

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## Any import on CIF basis

- Whether auditee has paid RCM on 10% of CIF value?
- Whether auditee has taken stand of double taxation?



## Any notice form enforcement / investigation agency for bogus inward supply?

- Whether corresponding ITC is reversed?
- Treatment of corresponding outward supply?

## Discount appearing in books, whether actual discount or separate supply in the form of Incentive / Bonus ?

## Summary of TDS return filed – RCM applicability on GTA and Legal fees

# Special Documentation

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- **Interest Liability – Gross or Net – Landmark Life Style – Delhi HC**
- **Identification of Blocked Credit - Orrisa HC on Safari Retreats Pvt Ltd.**
- **Indenting Agent Supply / Intermediary , Whether CGST + SGST or IGST ?**

**Micro Instrument AAR (Maharashtra)**

**Vishakha Prashant Bhave, [2019] 101 taxmann.com 150  
(AAR - MAHARASHTRA)**

# Questions / Thanks

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Thanks for  
your time!

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