

Walk through GST Audits

Organized by : WIRC OF ICAI

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GST

Goods &
Services
Tax



CA Gopal Kedia

Scope of Presentation

- ➡ **Overview of Legal Provisions**
- ➡ **Practical and legal Issues relating to GST audit**
- ➡ **Penal consequences**
- ➡ **Clause by Clause analysis of GSTR-9C**

LEGAL PROVISIONS

GST Audit- Legal Provisions

Sec 35 (5) of CGST Act

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 CA or a CWA and shall submit

- A **copy of audited accounts**,
- The reconciliation statement u/s. 44(2) and
- such other documents in such form and manner as may be prescribed

Rule 80(3) of CGST Rule, 2017

Every registered person whose **aggregate turnover** during a **financial year** exceeds **Rs. 2 crore** shall get his accounts audited as specified under section 35(5) 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.

Section 44(2) – Submission of Audit Report

- **Every registered person required to get his accounts audited under Provisions of Section 35(5)**
 - **Shall furnish, electronically, the annual return (“AR”)**
 - **along with a copy of audited annual accounts; and**
 - **a reconciliation statement, reconciling value of supplies declared in the return furnished for the financial year with the audited annual financial statements; and**
 - **Such other particulars as may be prescribed**

Applicability of GST Audit

Turnover- Not defined in the Act

Aggregate Turnover- Section 2(6)

“Aggregate Turnover” means 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

➤ **Technical guide (Pg.no. 4) – relevant extract**

- It is therefore, reasonable to interpret that the word ‘turnover’ used in section 35(5) ought to be understood as aggregate turnover.

Turnover

- Consider following situations:

Registration in 10 states	Turnover in each state Rs. 25 lacs
Registration in Maharashtra and Gujarat	Turnover in Maharashtra – Rs. 2.5 Cr. and in Gujarat Rs. 50 lacs
Registration in Maharashtra and 10 other states	Turnover in Maharashtra – Rs. 3 Cr. and in each other state Rs. 5 lacs
Registration in Maharashtra and having branch in Gujarat as it deals with in exclusively exempt supply	Turnover in Maharashtra – Rs. 5 Cr. and turnover of exclusively exempt supply in Gujarat Rs. 10 Cr.
Petrol Pump with turnover of Rs. 50 crores and revenue of Rs. 5 lakhs from PUC , repairs and sale of lubricants	
Wine Shop having Alcohol turnover of Rs. 5 Crore and small turnover of Rs 10 lakhs of Namkeen Packets?	
Composition dealer after achieving turnover of Rs.1.50 Crore opt for normal scheme and turnover in Financial year exceeds Rs. 2 Crores	

Turnover

Whether turnover of April 2017 to June 2017 to be considered for 2 Cr limit?

- Term 'Financial year' is not defined in the Act or Rules

For e.g. : TO of A Ltd during the period April to June 2017 is Rs. 1.5 Crore and Rs. 1.00 Crore during the period July 2017 to March 2018. Is he required to get his books of account audited?

Technical guide (Pg.no. 4)

- In the absence of clarification from government, also to avoid any cases of default, it is reasonable to reckon the turnover for the whole financial year

Whether separate Audit for ISD / CTP /NRTP GSTIN required?

PENAL PROVISIONS

Penal Consequences – For Auditee

Not getting accounts Audited

- No specific penalty provided for delay in filing GST Audit Report
- Section 125 of the Act provides for residuary penalty of Rs. 25,000/- for contravention of any provision of the Act or Rules for which no penalty is prescribed, which may be levied for,
 - Not getting the accounts audited u/s 35(5) of CGST Act
 - Non-filing / delayed filing of GSTR 9C u/s 44(2) of CGST Act
- Similar penal provision are there in State GST Act and also under IGST Act. Would this mean that there will be separate penalties and late filing fees (under 3 different Acts) for one offence?
- Delay in filing GST Audit Report or Annual Return may also affect GST Compliance Rating of the Dealer

GST AUDIT

Clause by Clause analysis of GSTR-9C

I. Part A- Reconciliation Statement

II. Part B- Certification

GST Audit- Legal Provisions

Sec. 2(13) of the CGST Act

Audit - Meaning

Audit means –

Examination of records, returns and other documents maintained or furnished by the registered person under this Act or 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.**

- **Format I**
 - Certification in cases where the reconciliation statement is drawn up by the person who had conducted the audit
- **Format II**
 - Certification in cases where the reconciliation statement is drawn up by a person other than the person who had conducted the audit

CERTIFICATION vs REPORT

CERTIFICATION

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.

REPORT

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 on opinion thereon. It is giving an opinion based on factual data and that is arrived at by the application of due care and skill.

Comparison of Formats

Format I	Format II
1. Examined the balance sheet, P&L and Cash Flow Statement	1. Enclose BS, PL, CF & annexures
2. Maintained books of accounts, records and documents required under the GST Law	2. Maintained books of accounts, records and documents required under the GST Law
3(a) Report observations/comments/discrepancies	
3(b) Report that A. Obtained all information necessary B. Proper Books of Accounts are maintained C. BS PL and CF in agreement with books	
4. Financials and Reconciliation attached	3. Financials and Reconciliation attached
5. Particulars in 9C are true and	4. Particulars in 9C are true and

Comparison with Tax Audit

Format I (Certification)

1. Examined the balance sheet, P&L and Cash Flow

2. Maintained books of accounts, records and documents required under the **GST Law**

3(a) Report observations/comments/discrepancies

3(b) Report that

- A. Obtained all information necessary
- B. Proper Books of Accounts are maintained
- C. BS PL and CF in agreement with books

4. Financials and Reconciliation attached

5. Particulars in 9C are **true and correct** subject to observations

Form 3CB (Audit Report)

1. Examined the balance sheet, P&L

2. BS PL and CF in agreement **with books**

3(a) Report observations/comments/discrepancies

3(b) Report that

- A. Obtained all information necessary
- B. Proper Books of Accounts are maintained
- C. **True and Fair View**

4. Particulars enclosed

5. Particulars in Form 3-CD are true and correct subject to observations

OVERVIEW OF GSTR-9C – PART A

PART-A- RECONCILIATION STATEMENT

Part	Description
I	Basic Details
II	Reconciliation of T/o declared in audited Annual Financial Statement with T/o declared in Annual Return (GSTR 9)
III	Reconciliation of Tax Paid
IV	Reconciliation of Input Tax Credit
V	Auditor's recommendation on additional tax liability due to non-reconciliation

Revision in GSTR-9C vide N.N. 74/2018

Reference number in Form	Changes Made	Comments
Part-II, Table 5E & 5J	Adjustment signed reversed	Inadvertent mistake has been corrected. Positive credit note value is to be reported & same shall be adjusted accordingly
Inserted verification by registered person	In addition to CA	To ensure the joint responsibility of RP & Auditor
Instruction 2	Instructed to file FORM GSTR-1, FORM GSTR-3B and FORM GSTR-9 of FY 2017-18 before filing FORM GSTR-9C.	
Instruction 4	Clarifies that Taxable Turnover from FORM GSTR-9 shall be sum of Table (4N-4G) + (10-11) shall be reflected in Table 7F of FORM GSTR-9C.	
Instruction 8	It is clarified that additional tax liability can be paid through FORM DRC-03 and that too using cash ledger only.	

PART-A- RECONCILIATION STATEMENT

Part	Description
I	Basic Details

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>>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
5	Reconciliation of Gross Turnover	
5A	<p>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)</p> <p>For 12 month ?? Or For 9 month ??</p>	<p>Instruction</p> <p><i>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.</i></p>
18th May, 2019	CA. Gopal Kedia	22

Turnover - Issues

Whether turnover at Clause 5A will include the following?

- Other Income reported in credit side of P&L, dividend income, Recovery of bad Debts, Interest on FD etc
- Expense Recoveries on which tax is paid (reflected as reduction in debit side of P&L)
- Sale of Assets (partially reflected as reduction in Fixed Asset Schedule and partially as profit in P&L)

ICAI Technical Guide- pg 279

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 asset etc. Any amount of return supplies credited to purchase or expenditure account would not be considered for the purpose of arriving at the turnover under Sl. No. 5A. Such adjustment has been separately dealt with under appropriate Sl. No. in this Part.

Turnover - Issues

Challenges in case of Multi- State GST registration.

- If state-wise audited financial for 9 month not available, whether MRL will suffice ?
- Auditor will have to place additional checks to validate the correctness of TO.
- What is the responsibility of turnover of other states – Analogy can be drawn from SA- 299, Responsibility of JA, accordingly he should communicate with JA to ensure thorough reconciliation of TO to be declared.

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 B	Unbilled revenue at the beginning of Financial Year	(+)	<p>Example</p> <ul style="list-style-type: none"> • Rental of Commercial Premises for 16th March, 2017 to 15th April, 2017 – Rs. 1 Lac • In the books of F.Y 2016-17, rent income is disclosed Rs. 50,000/- based on periodicity • On 16th April, 2017, Invoice raised for 1 lac • Here, Rs. 50,000/- is unbilled revenue. <p>Issues</p> <p>Unbilled revenue during April to June 2017 – Need to be carefully exclude from here</p>
5 H	Unbilled revenue at the end of Financial Year	(-)	

Part II -Table 5 – Reco. of Gross Turnover

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 C	Unadjusted advances at the end of the Financial Year	(+)	Instruction <i>Declare here advance received on which GST is paid but not recognised as revenue in Financial Statement</i>
5I	Unadjusted Advances at the beginning of the Financial Year	(-)	

Part II -Table 5 – Reco. of Gross Turnover

(a) Include for Adjustment

Sl. No.	Particular's	Reason
1	Advance received in respect of services for which the supply has not been made as on 31st March, 2018	Revenue not recognized in books, but offered to tax for GST
2	Advance received for goods before 15th November, 2017 and the supply of goods not complete as on 31st March, 2018	Revenue not recognized in books, but offered to tax for GST

(b) Doesn't include for Adjustment

Sl. No.	Particular's	Reason
1	Advance against exempted services	GST is not applicable
2	Advance against supply of goods post 15.11.17	GST is not applicable
3	Deposit	Not a GST Transaction
4	Advances against which invoices are issued	Considered in Return & Books

Part II -Table 5 – Reco. of Gross Turnover

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

Issues

For Supply of Goods : Requirement of GST on advance against supply of goods were phased out during 2017. In case if the GST on such advances not paid at all during such period, whether disclosure is required?

upto 13.10.2017 - Tax payable on all adv

13.10 to 15.11 – Only if TO Exceed 1.5 Cr

15.11 onward – extended for all RP

For Supply of Services

What if tax is not discharge on advances? whether disclosure is required ?

And if he recommend for payment, will the RP able to adjust against supply?

Deposit Vs Advance – Do the auditor need to investigate the transaction ?

Part II -Table 5 – Reco. of Gross Turnover

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 D	Deemed Supply under Schedule – I	(+)	Instruction <i>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.</i>

Part II -Table 5 – Reco. of Gross Turnover

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)
5D	<p><i>Sch 1 transactions</i></p> <ul style="list-style-type: none">• Permanent Transfer & Disposal of Business Assets – Fixed Assets Registere• Stock Transfer bet'n 2 branches• Gift to employee• Import of service from related parties• Transfer of capital goods between two branches <p><i>Issues - Identification of such supply</i></p> <ul style="list-style-type: none">• Goods E-way bills/ DC raised will be good guiding factor to identify such supply in case of goods.• Services In case of service auditor need to delve deeper to understand the transactions. And auditor should take MRL• How to ensure correct Valuation of supplies without consideration?

Part II -Table 5 – Reco. of Gross Turnover

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5E	Credit Notes issued after the end of the financial year but reflected in the annual return.	(-)	<p>It is very uncommon, but not impossible. For most of the time this SI no. will be 'Nil'</p> <p>The (+) indicate addition but credit note is negative value, ultimate effect would be reduction.</p> <p>Reduce the amount of credit note issued after end of year corresponding to sales made during the year & not accounted in Financial Statement</p>

“Part II -Table 5 – Reco. of Gross Turnover

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	<p>Instructions <i>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</i></p>
5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	<p>How it is different from 5F 5F- will cover discounts not permissible as per sec 15 (3)(b) read with Sec 34 5J – Will cover CN not fall within above 5F Example Cash Discount Compensation for damage goods thru CN</p>

Part II -Table 5 – Reco. of Gross Turnover

Comment / Issues

- Trade discount accounted in books but not eligible under section 15(3)(b) of CGST for deduction to be added here.
- In case of ITC attributable to such discount **not reversed by recipient** then reduction in o/t not possible . How the auditor verify the same ? Confirmation from Recipient would suffice ?
- Discount provided in GST regime but pertains to supply of Pre GST regime should not be disclose here since the same has to be given effect in erstwhile law.

“FORM GSTR-9C”

What to report and where

POSER

1. In case if auditor is observed that some of the discount are not aligned with provision of sec 15 (3) (B) and client is not aware with this and reduces his O/P tax liability.

Due to nature of business of 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 Auditor approach to punch data in Table 9. ?

Credit Note / Discount

Treatment of credit Note in GSTR-9C

Type of Credit Note	Auditor	Auditee	Treatment in GSTR-9C
GST Credit Note as per sec 34	Agree	Agree	No treatment is required
Accounting Credit Note and Output Liability is not reduced	Agree	Agree	Positive adjustment in 5J of R-9C
Accounting Credit Note but considered as GST Credit Note <i>ii) If auditor not able to ascertain the quantum.</i>	Agree	Agree	Payment in Pt- V, Auditor's Recommendation <i>ii) Disclosure in Part B of GSTR-9C</i>
Accounting Credit Note but considered as GST Credit Note	Agree	Not Agree	Disclosure in Part B of GSTR-9C

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 G	Turnover from April 2017 to June 2017	(-)	Issues <ul style="list-style-type: none"> • How to identify state wise turnover in case of supplier of services and opted for centralization registration in pre GST regime? • Credit note issued in GST regime pertains to supply made in pre GST.

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 K	<p>Adjustments on account of supply of goods by SEZ units to DTA Units</p> <p>Instruction Aggregate value of all goods supplied by SEZ to DTA units for which the DTA units have filed bill of entry shall be declared here.</p>	(-)	<ul style="list-style-type: none"> • Applicable to SEZ unit, only when reconciliation of SEZ is being made • Goods are supplied by SEZ to DTA and DTA authorised SEZ to filed BOE in his behalf. Such transaction will not require to be disclose here. • DTA units places order for purchase of Goods to unit of SEZ with instruction to deliver the goods out of India. In this scenario Bill of entry in not require to be filed.

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5L	<p>Turnover for the period under composition scheme.</p> <p>Instruction</p> <p><i>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.</i></p>	(-)	<p>Person opted out of Composition scheme should file both GSTR-9 and GSTR-9A</p> <p>Information reported here should be reconciled with GSTR-4</p>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5M	Adjustments in turnover under section 15 and rules thereunder.	(+/-)	<p>Example</p> <p>(+)</p> <ul style="list-style-type: none"> • Valuation difference u/s 15 , freight paid by consignee in CIF contract. • Good sold to related party lesser than the market value. <p>(-)</p> <ul style="list-style-type: none"> • Margin scheme opted by second hand goods dealer. • Special Mechanism for payment of Taxes under Rule 35, E.G. Air travel Agent. • Reimbursement of expenses as Pure Agent

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	<ul style="list-style-type: none"> • Adjustment of Foreign exchange fluctuations to be made here only when you have included the foreign exchange fluctuation in computing Turnover over as per Clause 5A • Value of Taxable Goods = Rate noti by CBEC • Value of service – Rate as per generally accepted a/cing principal <p>Poser A ltd made export of \$1.00 Lakhs CBEC Rate – Rs. 65 RBI Rate – Rs. 68/- Difference = Rs. 3.00 Lakh Will be reduce from Annual TO</p>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5 O	<p>Adjustments in turnover due to reasons not listed above</p> <p><u>Instructions</u> <i>Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.</i></p>	<p>(+/-)</p>	<p>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 an income in the Profit and Loss account, it will be reported under this Sl.No. and added to the gross turnover as per audited Annual Financial Statement.</p>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)
50	<ul style="list-style-type: none">• Wrong / Duplicate Entries in GSTR9 (will not include supply already adjusted thru GSTR-1 & 3B, because same has taken affect in annual TO)• Gifts given to customers/vendors/distributors – If it is established that there is nonmonetary consideration flowing to the taxable person distributing the gifts, such transaction will be liable to GST. The gifts purchased and distributed by the taxable person is normally charged as an expense in the Profit and Loss account. However, if the taxable person has disclosed the same in GSTR 9, then adjustment has to be made in this Sl.No. so as to add it to the Gross turnover declared under the audited Annual Financial Statement.• 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 supply of capital goods is leviable on the transaction value

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)
50	<ul style="list-style-type: none">• Inputs and Capital Goods sent to job worker but not returned within the prescribed period of one year or three years. • Goods sent on approval basis but not approved and received back within the prescribed period • Invoice for taxable turnover of Rs. 50,000/- has not been considered in GSTR 3B, GSTR 1 and 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 Sl.No.. This un-reconciled difference should appear in Sl.No. 5R

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)																		
5 R	A un- reconciled Turnover (Q-P)																		
Pt. II	6- Reasons for reconciled difference in Gross Turnover																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #f2f2f2;"> <td style="width: 5%; text-align: center;">6</td> <td colspan="3" style="text-align: center;">Reasons for Un - Reconciled difference in Annual Gross Turnover</td> </tr> <tr> <td style="text-align: center;">6A</td> <td style="width: 30%;">Reason 1</td> <td style="width: 10%;"></td> <td style="text-align: center;"><<Text>></td> </tr> <tr> <td style="text-align: center;">6B</td> <td>Reason 2</td> <td></td> <td style="text-align: center;"><<Text>></td> </tr> <tr> <td style="text-align: center;">6C</td> <td>Reason 3</td> <td></td> <td style="text-align: center;"><<Text>></td> </tr> </table>			6	Reasons for Un - Reconciled difference in Annual Gross Turnover			6A	Reason 1		<<Text>>	6B	Reason 2		<<Text>>	6C	Reason 3		<<Text>>
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6A	Reason 1		<<Text>>																
6B	Reason 2		<<Text>>																
6C	Reason 3		<<Text>>																

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
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	<p>Example</p> <ul style="list-style-type: none"> • Milk, Water, Education Services • Petrol/Diesel, Alcoholic liquor • Sch- III supply - Sale of Securities / Land (not primarily reflecting in P&L), HSS- • NO Supply – It doesn't appear in GSTR- 1 / 3B only GSTR-9 and 9C

“FORM GSTR-9C”

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
7	Reconciliation of Taxable Turnover	
7C	<p>Zero rated supplies without payment of tax</p>	<p><i>Example</i></p> <ul style="list-style-type: none"> • <i>Supply to SEZ</i> • <i>Export of Goods /Service</i> <p><u>Check Point</u></p> <ul style="list-style-type: none"> • Whether place of supply to be checked? • Whether compliance with LUT Requirements to be checked? Attention should be drawn on relaxation provided vide Cir. No 37/2018 • Receipt in convertible foreign exchange / valuation differences. • Cross reference with refund application • Verification of shipping bill with ICEGATE portal on sample basis

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
7	Reconciliation of Taxable Turnover	
7C	<p>Zero rated supplies without payment of tax</p>	<ul style="list-style-type: none"> • Timing Difference e.g. An export is made on CIF basis, Tax invoice as per GST will be raised according to sec 12, However in accounts revenue is recognized on the date of receipt of delivery by the foreign buyer, meanwhile it will recognised as unearned revenue. If the exports are recognised as revenue in books of accounts then value of export should be declare on S No 7C, Or if it is recognised as unearned revenue the will not be declared here.

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
7	Reconciliation of Taxable Turnover	
7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	<p><i>Example</i></p> <ul style="list-style-type: none"> • <i>GTA Supply</i> <p>As per Sec 17(3) of CGST Act, 17, exempt supply shall include supplies on which recipient is liable to pay tax under reverse charge. Auditor may cross check with figure reported in 4B of GSTR-1</p>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
7	Reconciliation of Taxable Turnover	
7E	Taxable turnover as per adjustments above (A-B-C-D)	
7F	Taxable turnover as per liability declared in Annual Return (GSTR9)	
7G	Unreconciled taxable turnover (F-E)	

Part II -Table 7 – Reco. of Taxable Turnover

Remark

Issues

- **Interest Income** which is an Exempt Income, ideally should have been reported in exempt section of GSTR 1. The same was not disclosed and not forming part of GSTR 9 as well. Now in GSTR 9C, assuming Clause 5A is only topline number, should this interest income then be added in clause 5O and reduced from clause 7B? or it should be ignored completely? **(Clause 7B)**
- What is the difference between Non-GST and No- Supply Turnover? What all transactions can it include? **(Clause 7B)**
- Export turnover declared in Clause 5A of GSTR 9C but not declared in GSTR 1 and therefore, not a part of GSTR 9 as well. Difference to be reported in Table 6 & 8 both? **(Clause 7)**

Part II -Table 7 – Reco. of Taxable Turnover

Remark

Issues

- **Whether Place of Supply provisions to be checked for Zero-rated transactions? (Clause 7C)**
- **Wrong classification of transactions (Taxes reported correctly). For eg. Exempt supply reported as Zero-rated supply in GSTR 1 & 9. Should auditor make any comment in GSTR 9C? (Clause 7)**

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt.	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	

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. III	Additional amount payable but not paid					
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)					

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of Tax Paid
	<p>TO as declared in 7E is further broken down as per GST rate. It doesn't effect TO as per financial statement.</p> <p>Rate wise TO of supplies on which tax is required to pay under RCM is required to be reported here.</p> <p>Interest – In case of calculation of interest under given column the taxable value should be further bifurcated month wise to arrive at correct interest liability.</p> <p>During the year 2017-18 FY 2017-18 the rate of tax on supply of goods and services have changed many times. To keep a track of same</p>

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. IV	Reconciliation of Net ITC		
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)		ITC Suspense is also ITC availed
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

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. II	Reconciliation of Net ITC
	<p>Difficult to identify the figures where the RP has maintained single account for output tax and ITC.</p>

“FORM GSTR-9C”

Pt. IV	Reconciliation of ITC declared in Annual Return (GSTR 9) with ITC availed on expenses as per audited Annual Financial Statement or			
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			

“FORM GSTR-9C”

Pt. IV	Reconciliation of ITC declared in Annual Return (GSTR 9) with ITC availed on expenses as per audited Annual Financial Statement or books of account		
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

“FORM GSTR-9C”

PART – A – Reconciliation Statement

Pt. IV	Reconciliation of Net ITC
	<p>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>Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table</p> <p>The Column 4 uses two words ‘eligible’ and ‘availed’. Thus, it seems that the Auditor has to include ITC which has been availed and out of such ITC only the eligible one. Thus, the government would get to know the ineligible amounts as availed by the ITC.</p>

“FORM GSTR-9C”

Pt. V	Auditors 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					

Part V - Auditor's Recommendation on Additional Liability

Auditors Recommendation

Auditor may recommend for additional liability on account of followings

- ✓ additional liability due to non-reconciliation of turnover
 - ✓ additional liability due to non-reconciliation ITC
 - ✓ any other amount to be paid for supplies not included in the Annual Return.
 - ✓ Any refund which has been erroneously taken
 - ✓ Any other outstanding demands which is recommended to be settled by the auditor
-
- Auditor only has a **recommendatory power** while furnishing his report. Any recommendations given by the Auditor may or may not be **acceptable** to the Registered Person.
 - Quantum of Part V = Amt reported in Table 11+ Table 16.

VERIFICATION

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 Auditor

Place:

Name of Signatory

Membership No.

Date:

Full address

VERIFICATION

solemn means “serious or earnest” and दृढतापूर्वक, सत्यनष्टि

the word affirm means “confirm, establish or ratify”.

A solemn affirmation is ratification under a statute.

True & Fair Vs True & correct



Enjoy
your life



Thank
you

CA Gopal Kedia,