

Submission of Records in GST Departmental Audit

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Background – Aims & Objectives

GST Department Audit



Aims and objectives of Audit

Audit in GST should have the following objectives:

- Measurement of compliance levels with reference to compliance strategy of the tax administration.
- Detection of non-compliance and revenue realization.
- Prevention of non-compliance in the future
- Discovering areas of non-compliance to prevent taxpayers from continuing with such deviations from expected compliance behaviour that results in erroneous declaration of self-assessed liability.
- Providing inputs for corrections in/amendments to the legal framework which are being exploited by taxpayers to avoid paying taxes.
- Encouraging voluntary compliance.
- Any other goals deemed worth pursuing by the GST administration.

Rights Of Dealer :

1. To check the identity of each and every member of the audit team.
2. To get at least 15 days prescribed time limit for collection, compilation, preparation and arrangement of documents for audit from receipt of audit notice.
3. To engage authorized representative to act and appear on his behalf in audit proceedings.
4. To seek adjournment of proceeding in unavoidable circumstances for submission of documents keeping in mind the timelines required for completing the audit
5. To submit his say through audit proceeding or through letter or e-mail communication.
6. To ensure that opportunity of being heard is given properly to him by audit authority. To represent and submit say in case of debatable/disputable issues during audit.
7. To ensure that the audit is completed by audit team in prescribed time limit as per GST.
8. To receive findings of audit from the Audit Officer within 30 days of conclusion of audit
9. To take benefits of the voluntary payment tax, if the audit objections are acceptable, and take advantage of the benefits available under sections 73(6)/74(6)

Duties Of Dealer :

1. To comply in time to GST-ADT-01 notice and all necessary correspondence from audit officer with respect to the audit proceeding.
2. To make available all necessary books of account (physical record as well as accounting system access/electronic record as per necessity) to audit team and any other document/information required to complete the audit
3. To provide the necessary facility to verify the books of account/other documents as required
4. To ensure presence of either the Registered Person or his authorized representative at the place of business (POB) where audit is being conducted during audit activity so that he can explain the books and the business activity properly.
5. To extend necessary cooperation to the audit team during POB audit visit for timely completion of audit.
6. To follow the statutory timelines in case of making payment if audit results are accepted and/or to comply with notice under section 73/74 of GST Act in case audit findings are not accepted.

Legal Provisions

Section 65 of CGST Act, 2017

- The Commissioner or any officer authorised by him, by way of a general or a specific order, may undertake audit of any registered person for such period, **at such frequency and in such manner as may be prescribed**.
- The officers referred to in sub-section (1) **may conduct** audit at the place of business of the registered person or in their office.
- The registered person shall be informed by way of a **notice not less than fifteen working days** prior to the conduct of audit in such manner as may be prescribed
- The audit under sub-section (1) shall be completed within a period of three months from the date of commencement of the audit: Provided that where the Commissioner is satisfied that audit in respect of such registered person cannot be completed within three months, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding six months.

Explanation. – For the purposes of this sub-section, the expression ‘commencement of audit’ shall mean the date on which the records and other documents, called for by the tax authorities, are made available by the registered person or the actual institution of audit at the place of business, whichever is later

Section 65 of CGST Act, 2017

- During the course of audit, the authorized officer may require the registered person,—
 - (i) to afford him the necessary facility to verify the books of account or other documents as he may require;
 - (ii) to furnish such information as he may require and render assistance for timely completion of the audit.
- On conclusion of audit, the proper officer shall, within thirty days, inform the registered person, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.
- Where the audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under section 73 or section 74

Rule 101 of CGST / SGST Rules, 2017

- The period of audit to be conducted under sub-section (1) of section 65 shall be a **financial year or part thereof or multiples thereof**.
- Where it is decided to undertake the audit of a registered person in accordance with the provisions of section 65, the proper officer **shall issue a notice in FORM GST ADT-01** in accordance with the provisions of sub-section (3) of the said section.
- The proper officer authorised to conduct audit of the records and books of account of the registered person shall, with the assistance of the team of officers and officials accompanying him, verify the documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the rules made thereunder, the correctness of the turnover, exemptions and deductions claimed, the rate of tax applied in respect of supply of goods or services or both, the input tax credit availed and utilised, refund claimed, and other relevant issues and record the observations in his audit notes

Rule 101 of CGST / SGST Rules, 2017

- The proper officer **may inform** the registered person of the discrepancies noticed, if any, as observed in the audit and the said person **may file** his reply and the proper officer **shall finalize** the findings of the audit after due consideration of the reply furnished.
- On conclusion of the audit, the proper officer shall inform the findings of audit to the registered person in accordance with the provisions of sub-section (6) of section 65 in FORM GST ADT-02

Open ended assignment for Audit

Audit of other years of the same auditee based on audit findings in selected cases.

In general, when a registered person is selected for audit based on risk scores arrived at for a financial year or multiples thereof, the audit is to be taken up for the entire period for which previous audit (GST audit) is not covered. It need not be restricted to a particular financial year, a complete audit by clubbing more than one financial year is to be done. In other words, a taxpayer may be subject to Audit from the un-audited period till the last return filed up to the date of visit. The Parameters to analyze data base can be ascertained by adopting the following method as -



Access to business premises. (Section 71 of CGST / SGST Rules, 2017)

1. “Any officer under this Act, authorised by the proper officer not below the rank of Joint Commissioner, shall have access to any place of business of a registered person to inspect books of account, documents, computers, computer programmes, computer software whether installed in a computer or otherwise and such other things as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.

2. Every person in charge of place referred to in sub-section (1) shall, on demand, make available to the officer authorised under sub-section (1) or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66 –
 - i. such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed;
 - ii. trial balance or its equivalent;
 - iii. statements of annual financial accounts, duly audited, wherever required;.
 - iv. cost audit report, if any, under section 148 of the Companies Act, 2013;
 - v. the income-tax audit report, if any, under section 44AB of the Income Tax Act, 1961; and
 - vi. any other relevant record, for the scrutiny by the officer or audit party or the chartered accountant or cost accountant within a period not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the chartered accountant or cost accountant.”

Section 122(xvii) of CGST and SGST Acts, 2017.

Fails to furnish information or documents called for by an officer in accordance with the provisions of this Act or the rules made thereunder or furnishes false information or documents during any proceedings under this Act;

“he shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded or the tax not deducted under section 51 or short deducted or deducted but not paid to the Government or tax not collected under section 52 or short collected or collected but not paid to the Government or input tax credit availed of or passed on or distributed irregularly, or the refund claimed fraudulently, whichever is higher.”

Audit Procedures

Communication of discrepancies noticed.

- Upon examination of the books of accounts and records in the course of audit, the audit officer **shall clearly note all his observations** relating to the possible areas of lapses, as discussed above.
- The grounds of any discrepancies against the disclosed parameters of the auditee should be **concise, to the point and self-contained**. Different para(s) should be formed depending on the nature of observations.
- Where any discrepancy is **based on any circular or clarification or notification** issued by the State Government or the Central Government or by the Commissioner or the Board, such must be mentioned clearly.
- Similarly, where findings are based on **discussion or merit of any decision of any Hon'ble Court, decisions of Advance Ruling Authority, and decisions of Appellate Authorities** such should be clearly cited.
- Similarly, where discrepancies are noticed **in respect of information disclosed in the return** and those ascertained from accounts/documents, the same need to be mentioned clearly in the communication, alongwith the tax implications.
- The findings of audit should be prepared and are required to be communicated to the RTP within 30 days of conclusion of audit.

Communication of discrepancies noticed.

- The auditee, if he thinks fit, may submit a written explanation in reply to such findings upon adducing supporting documentary evidence and other facts & figures as may be necessary.
- The auditee shall be given a time of at least seven (07) days from the receipt of the draft report to submit his/her reply.
- The Audit Officer should inform the auditee about the observations made in the course of audit preferably in electronic format.
- Audit is treated to be completed, when an audit report which may contain objections detected during the audit is finalised by the Department.
- But before finalising the objections, the initial objections being raised by the audit officer may be taken up for discussion by a Committee of officers in a monthly/periodical meeting (which could be called —Audit Monitoring Committee) with regard to the sustainability/correctness or otherwise in respect of each objection.
- This system of AMC that may be instituted in each State department will probably reduce unproductive disputes and also standardise practices.

Communication of discrepancies noticed.

- The auditor should also apprise the auditee of the provisions relating to his voluntary compliance and at the same time encourage him to pay the dues **in Form GST DRC – 03 in the course of audit.**
- Letter to be written by taxpayer if payment of dues after ADT-02 as required u/s 73(6)

Extract of Section 73(5) and (6)

5) The person chargeable with tax may, before service of notice under sub-section (1) or, as the case may be, the statement under sub-section (3), pay the amount of tax along with interest payable thereon under section 50 on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment.

(6) The proper officer, on receipt of such information, shall not serve any notice under sub-section (1) or, as the case may be, the statement under sub-section (3), in respect of the tax so paid or any penalty payable under the provisions of this Act or the rules made thereunder.

Draft Audit Report and approval thereof:

- The audit officer shall clearly mention in his working paper the reply of the auditee in respect of the findings drawn and communicated to the auditee.
- After careful consideration of the reply a Draft Audit Report (DAR) should be prepared by the audit officer for internal administrative purpose and not for the auditee.
- The DAR shall be placed before the audit plan sanctioning authority for perusal. If the total amount of tax due exceeds a certain amount, DAR should be placed before the appropriate higher authority with a short narration of such dues for perusal and approval. This condition may vary State to State and the Centre. This condition is purely for administrative purposes to ensure that the demand is genuine. The aforesaid narration for such high dues should be concise, to the point and self-contained

Audit Monitoring Committee

- Every team of audit should represent the status of audit once in every month on a pre-scheduled date in a format annexed hereto as Annexure 7 (p. 109) before the Monitoring Committee in the Monitoring Committee Meeting (MCM) under the chairmanship of the Commissioner/ appropriate authority.
- This Committee, besides monitoring the status of audit of every level, will also try to identify the important observations made upon audit by different units for better coherence among all the existing audit teams.
- At the same time, the Committee will also try to identify the areas of audit related to the unit that need special attention and make suggestions accordingly.
- The committee may also review the audit objections raised by the Audit Teams and after discussions take a decision on the same.
- In addition to such a committee, an online exchange of Inter -zonal / Interdivisional audit insights / findings may also be a useful knowledge sharing platform. Any zone or a division which has come across interesting audit findings may make use of the said platform and update it once in fifteen days (or such frequency that can be decided by State gst administration). such information sharing would be important for identifying productive areas of audit, documents and records required for supporting a particular line of audit inquiry. it would also help to build capacity by enabling exchange of knowledge.

Audit Monitoring Committee

- The Monitoring Committee shall invite the Audit head of all the units, Nodal officer of Information System Division/IT Division and representatives from GST-Planning Unit of the State/Centre to offer their views to maintain the progress and ensure uniformity in audit and subsequent demand and recovery proceedings. The Committee may invite any Audit Team or Audit Officer of any unit if deemed fit.
- The Audit Monitoring Committee may consist of the Joint Commissioner (Divisional Head), Deputy Commissioner, Assistant Commissioner and GST Officer (Commercial Tax Officer, Sales Tax Officer as the case may be). Composition and procedure of this committee may vary from State to State and at the Centre. However, the constitution of such a committee may be decided by the State Commissioner to suit the administrative architecture in the State.
- As MCM is an important institutional mechanism, the frequency of its meetings and mandate should be revisited from time to time to make it more effective.
- **Post-audit process –**
 - (i) Committee for review of the audit report
 - (ii) recommendation for adjudication and the adjudicating authority.

Whether issuance of DRC-01A is mandatory ?



Rule 142.pdf

Criteria's for selection for Audit

Risk Assessment & Representative selection criteria :-

- Ratio of Taxable turnover – present year vis-à-vis previous year.
- Ratio of ITC reversed vis-à-vis Total ITC availed during the year.
- Ratio of total ITC availed in this year vis-à-vis previous year. Ratio of IGST payment at the time of import vis-à-vis Total
- ITC availed in corresponding period.
- Ratio of tax paid through ITC to total tax liability
- Ratio of nil/exempt supplies to total turnover (excluding non GST supplies)
- Ratio of Zero-rated supplies to total turnover (excluding non-GST supplies)
- Ratio of Non-GST supplies to total turnover.
- Ratio of inward supplies (liable to reverse charge) to total turnover
- Ratio of ITC shown in Table 4A(5) of GSTR 3B and ITC as per GSTR2A.
- Newly registered taxpayers with turnover exceeding a pre-decided threshold and cash payout percentage below a certain threshold

Risk Assessment & Representative selection criteria :-

- Ratio of tax paid under reverse charge to ITC taken on import of services/other reverse charge
- Ratio of ISD credit to total ITC taken.
- Ratio of ITC reversed to ITC taken.
- Ratio of zero-rated supply to SEZ as per Table 6(B) of GSTR-1 to total GST turnover.
- Ratio of deemed exports as per Table 6(C) of GSTR-1 to total GST turnover.
- Turnover declared in Form GSTR-3B vis-à-vis Form GSTR-1.
- Claim of ITC from cancelled RTPs,
- Aggregate turnover in GST return vis-à-vis Turnover disclosed in Income Tax return.
- Turnover declared by RTP in Form GSTR-3B compared to turnover on which TDS deducted as reflected in Form GSTR-7 submitted by TDS deductor.
- Turnover declared by RTP in Form GSTR-3B compared to turnover on which TCS collected as reflected in Form GSTR-8 submitted by TCS collector.

Risk Assessment & Representative selection criteria :-

- Refund claimed against purchase from taxpayer having no auto-population of ITC in Form GSTR-2A.
- Purchases from non-existent RTPs.
- RTPs having adverse reports in VAT/Service Tax/Central Excise who are operative in GST etc.)
- In case, the RTP selected for audit has multiple registrations under the same PAN / TAN in the State, it is suggested that all such registration numbers may be selected for audit.
- 10% of the selection of the taxpayers may be done on a random basis.
- Relating to compliance behaviour-based risk (e.g. late filer of return)– RTPs defaulting in filing GSTR-3B for 3 months will be marked 5, those defaulting for 2 months will be marked 3.33 & those defaulting by 1 month will be marked 1.67.
- Taxpayers claiming ITC of more than the amount from eligible ITC.
- Taxpayers who have filed all returns and tax adjusted from cash ledger is less than an amount.
- Taxpayers who have filed all returns and difference in tax liability in GSTR-1 > GSTR-3b by n amount
- Composition tax payers having turnover more than 1.25 crore.
- Newly registered taxpayers with high turnover more than an amount.

Risk Assessment & Representative selection criteria :-

- Taxpayers with (a) multiple use of pan (b) multiple use of email id (c) multiple use of mobile no.
- Refund amount is greater than the amount.
- Shipping bill/export proof submitted by taxable person not verified from Ice gate.
- Turnover declared in GSTR 3b must be compared with TDS/TCS deducted (it should be more than 100 times than TCS deducted and more than 50 times than TDS deducted).
- Taxable persons dealing in evasion-prone commodities/services as per HSN/SAC code.
- High spike by n amount in e-way bill value in n months.
- Ratio of Output Tax paid in cash to the total turnover in the current year is n percentage higher to the ratio of the same in the previous year.
- Ratio of Output Tax paid to Net Profit in the current year is —n|| percent higher to the ratio of the same in the previous year.
- Taxable Person whose Turnover is less than —n|| percentage of turnover from previous year.
- Inward supply from bogus dealers.

Risk Assessment & Representative selection criteria :-

- Zero cash set-off against tax liability.
- Inward supply received but no outward supply.
- GSTR-1 submitted but GSTR-3B not submitted.
- Manufactures whose cash set-off is less than 5 per cent.
- Three or more cases apprehended by mobile squad.
- Cancellation of E-way bill is more than 2 per cent.
- Ratio of expenses to turnover in the current year is greater than by $n\%$ percent than the ratio of the same in the previous year.

Scope of audit

Risk parameters are meant for determining the total risk score based on which registered persons would be selected for audit. When, once a registered person is selected, the audit should be carried out as per definition of 'Audit' (under Section 2(13) of the CGST Act). Thus, audit would **not be restricted only to the flagged risk parameters** and audit should be taken up based on desk review conducted by the audit team and audit plan prepared accordingly. An efficient and effective Audit system in all aspects based on a checklist will increase voluntary compliance. A focused audit increases taxpayers' cooperation, shortens audit and improves audit yield.

What to Check in Audit ?

Illustrative Steps For an effective Return Analysis.

OUTWARD

- **HSN code** of the goods and/or SAC of the services dealt in by the RTP should be verified where available to ensure that such are in **conformity with the schedules/notifications** and it is to be checked that the **proper rate of tax** thereupon was applied on outward supplies as shown in Form GSTR-1 & Form GSTR-3B.
- Outward supplies as declared in **Form GSTR-1, Form GSTR-3B and GSTR-9** should be compared with the Books of Accounts as maintained and produced by the auditee. The reconciliation statement, in case of any difference, is required to be examined with supporting documents and explanations along with Form GSTR-9/9A and Form GSTR-9C, if such have been submitted by the auditee.
- Claim of the RTP under different heads like – **Zero-rated, Nil rated, Exempted and non-GST outward supplies, etc.** as shown in Form GSTR-1, Form GSTR-3B. The reconciliation statement, in case of any difference, is required to be examined with supporting documents and explanations along with Form GSTR-9/9A and Form GSTR-9C, if such have been submitted by the auditee
- Amount appearing under the head —**Advance received** “needs to be reviewed carefully since GST is applicable on —Advance received|| against future —supply of services”. As per Notification No.66/2017 - CT. dated 15.11.2017; payment has been delinked to determine time of supply in case of supply of goods.

Illustrative Steps For an effective Return Analysis.

RCM

- Transactions like **import of services** and **transactions between related parties** and activities specified in Schedule-I which are required to be considered as **supply even without consideration** are required to be examined thoroughly. These cases would require very cautious examination of the books of accounts, final accounts, P/L account and balance sheet to determine whether there are any such transactions which are not reflected in the returns. Some illustrative examples are given in Annexure 15 (p. 219) for understanding of the matter.

Job Worker

- Goods sent for approval and goods sent to job workers should be examined with the books of accounts.

Other Points

- Enquiry should be made to confirm whether any specific Advance Ruling/Appeal Order of Advance Ruling is applicable for any of the supplies made by the auditee.

Illustrative Steps For an effective Return Analysis.

REFUND

- **Refund** may be made to the auditee on account of export with or without payment of tax. In such cases, the veracity of export claims need to be checked. For this, the shipping bill details should be checked with the ICEGATE portal; in case of high volume of export through non-EDI check posts where the shipping bill details cannot be verified through ICEGATE portal, extra caution should be exercised in scrutinising the shipping bills in support of the export claims.
- In the case of **export with payment of tax**, if the value of export is found to be **significantly higher than similar products sold in the domestic market** in depth scrutiny of the payment received in respect of the export is required since there may be a possibility of monetizing excess ITC. (For determining the value of export the value may be calculated as prescribed in rule 89(4)(C) of the CGST Rules,2017 i.e. the value which is 1.5 times the value of like goods domestically supplied by the supplier).
- In respect of claim for refund of **unutilized ITC on account of zero rated supply**, adequate caution is required to be taken so that, **ITC on account of transitional credit, capital goods** are not claimed for refund.
- Claim for refund of unutilized ITC may be made on account of inverted tax structure. In such cases, (i) verification of the classification of inputs and output supplies and the respective rates of taxes attracted by them is very crucial;

Illustrative Steps For an effective Return Analysis.

ITC

- The claim of ITC of an auditee should be checked against fulfilment of the conditions laid down in the Acts and Rules made thereunder.
- If usage of ITC for payment on account of export is significantly high, in depth scrutiny of the availment of ITC is warranted.
- In depth checking is needed in respect of goods and services on which ITC is blocked.
- Data in respect of **e-way bills, both inward and outward**, should be verified with the books for compliance level analysis. It may happen that the total value of outward e-way bill grossly differs with the total outward supply. In that case one should go through the details into the accounts.

Illustrative Steps For an effective Return Analysis.

INTEREST & PENALTIES

- **Time of filing of returns** should be noted and should be checked to confirm whether the returns were filed within the prescribed time.
- Output tax payment is required to be examined to ascertain interest liability. Any output liability which has been discharged other than by Form GSTR 3B is required to be examined as to whether interest (if applicable) has also been paid for the same or not.
- Checking should be done in respect of interest and late fee payable as per notification(s).

DISCLAIMER

- All possible areas related to compliance issues that may result in short payment or evasion of tax are also required to be checked. The intention of these above illustrations is to create awareness of Officers in the subject so that an Audit Officer looks into the statutory provisions in detail. It may be mentioned in this regard that these illustrations are merely indicative in nature. However, it is desirable that an Audit Officer should not confine himself to these indicative illustrations and should be prudent enough to go through the provisions of law and rule, various clarifications issued in different circulars, judgments passed by various Courts of Law and Rulings passed by AAR & AAAR in this respect in detail. As mentioned in Para 5.8 below, **GST Tax administrations should strive to develop a shared platform for sharing audit related information.**

Sample Audit Questionnaire

Sample questionnaire for auditee:

a)	Legal Name & Trade Name (if any)				
b)	GSTIN				
c)	Address (Principal place)				
d)	Period of GST Audit				
e)	Name and contact number and e-mail address of the 'Authorized Person' for Audit and the person responsible for Accounts & Billing.				
f)	Total tax paid for supply of goods and/or services for the period under audit (Act wise).	Tax	From e-credit ledger	From e-cash ledger	
		SGST			
		CGST			
		IGST			
		CESS			
g)	Whether possesses GSTIN as ISD / TDS deductor / TCS collector in the State?	GSTIN as ISD			
		GSTIN as TDS deductor			
		GSTIN as TCS collector			
h)	Constitution of Business and names of the current business owners/promoters.				
i)	Details of transactions with related and distinct persons [Ref: Sch. I as appended in Sec 7]	Name with GSTIN, if any	Total supply value during the period	Total tax involved (act wise)	POS in case of interstate supply

j)	Details of transactions without any consideration, excluding details mentioned in sl. No. i) above [Ref: Sch. I as appended in Sec 7]	Please fill up in an identical table as in above in sl.no. i).		
k)	Types of goods and or services supplied [with HSN/SAC] other than those attracting tax under Reverse Charge	Name of the goods / services	HSN/SA C	Rate of Tax
l)	Types of goods and or services received [with HSN/SAC] on which tax is payable under Reverse Charge	Name of the goods / services	HSN/SA C	Rate of tax
m)	Whether any offence case is booked in respect of Tax for supply of goods/or services, by any Authority under any law in force. If so, details thereof.			
n)	Whether any amount payable/ paid to the Client has been adjusted against the receipt/ receivable and net income shown in the P&L Account. If yes, details thereof.			
o)	If the answer to question (n) above is yes, then, whether it has affected the Turnover as per GST Returns and whether due tax on the receipt/ receivable and net income shown in the P&L Account (relating to supply) has been paid?			
p)	Whether any advance payment is received towards providing services? If yes, whether Tax for supply of services was paid on such receipts?			
q)	Details of any refund applied for the period concerned (please provide details of the status of the refund application: accepted/rejected, if rejected reasons thereof, amount of refund received etc.)			

Sample questionnaire for auditee:

a)	Is invoice issued in all transactions? If not, reasons for not issuing invoice.
b)	How many series of invoices are being used?
c)	If more than one series is used, give details of each such series.
d)	If there are more than one series of invoices, is tax for supplies paid on all the series of invoices?
e)	If the answer to question (d) is not, then the reasons for not paying tax for supplies on such series of invoices (e.g. exempted / zero rated without payment of tax / trading / non-taxable goods /services). Give details.
f)	In case of provision of service, is the invoice issued on the date of provision of service or before or later?
g)	List of the different account heads under which invoices issued for taxable supplies are recorded in the P/L account or in Trial Balance.
h)	List of the different account heads under which invoices/bills issued for exempted and non-GST supplies are recorded in the P/L account or in Trial Balance.
i)	Whether the Invoice Numbers are generated automatically or are fed manually. Give the name and designation of the person having the authority to cancel an invoice.

j)	Whether any amount is recovered by issue of debit note and whether it is included in the gross value of supplies?
k)	Are any goods or services provided free of cost or at subsidized price? If so, provide details of such goods / services.
l)	Are any reimbursements received from the recipients? If so, quantum and reasons for such.
m)	Is any expenditure that the supplier is liable to pay for a supply but is actually borne by the recipient? If so, details of such.
n)	Whether the Accounts are maintained electronically? If yes, the name of accounting packages / computer software installed for maintaining accounts in the units like Tally, FAS etc
o)	Are the accounts prepared on mercantile basis or cash basis?
p)	Whether there has been any switching over of the accounting software during the audit period?
q)	Have any changes been made in the accounting policies affecting GST liability relating to reimbursement of expenses, timing of payment of Tax for supply of services and treatment of payments in foreign currency?
r)	Are the accounts audited by a Statutory Auditor? If so, name, address, phone number and E-mail id of the auditor.

Sample questionnaire for auditee:

Sr. No.	Key issues	Reference returns/law	Points from Accounts
1	Whether the kind of outward supplies like Taxable supply, exempted supply, Zero-rated supply, NIL rated supply, Supplies to SEZ unit/ developers, Deemed Export etc. are appropriately classified under GST law?	<ul style="list-style-type: none"> Sr. No. 4 & 5 of GSTR 9 Taxable Supply: Sr. No. 5N of GSTR 9 Exempted: Sr. No. 5D of GSTR 9 Nil: Sr. No. 5E of GSTR 9 Non-GST Supply: Sr. No. 5F of GSTR 9 Zero Rated: Sr. No. 5A, 4C of GSTR 9 Supply to SEZ: Sr. No. 5B, 4D of GSTR 9 Deemed exports: Sr. No. 4E of GSTR 9 Section 7 of SGST/CGST Act Section 17(3) of SGST/CGST Act Section 147 of SGST/CGST Act Schedule I, II and III of SGST/CGST Act Section 16 of IGST Act 	<ul style="list-style-type: none"> Invoice /Bill of Supply Tax rate Notification Exemption Notification HSN/SAC Contract Shipping Bill/Bill of Export Bill of Lading Letter of Undertaking Duty drawback availed Payment received (Bank/Cash) Composite/Mixed Supply
2	Whether any activity or transaction which falls within the scope of supply has not been identified by the Registered Person?	<ul style="list-style-type: none"> Non-GST Supply: Sr. No. 5F of GSTR 9 Schedule III of SGST/CGST Act 	<ul style="list-style-type: none"> Invoice/Bill of Supply Contract Consideration received Analysis of cash flow and mapping cash flow onto the returns Business purpose
3			<ul style="list-style-type: none"> Whether supply has been correctly classified as Inter-State supply/Intra-State as per Section 7(5) & 8 of the IGST Act, 2017?
4			<ul style="list-style-type: none"> What is the treatment of promotional items given free to end consumers by FMCG companies?
5			<ul style="list-style-type: none"> Whether the Zero - rated supply is verified as per the provisions of law?
6			<ul style="list-style-type: none"> Whether supply of capital goods has been subjected to GST and as to whether the same has been included in the returns filed?

Sample questionnaire for auditee:

7	Whether the transactions are correctly classified as supply of goods or supply of services as per Schedule-II of the CGST/SGST Act, 2017?	<ul style="list-style-type: none"> Table 9 of GSTR 9C Sr. No. 17 & 18 of GSTR 9c Schedule II of CGST/SGST 	<ul style="list-style-type: none"> Invoice/Bill of Supply Contract Composite/Mixed Supply
8	Are there any transactions wherein goods sent for job-work are not received back within the specified period?	<ul style="list-style-type: none"> Form ITC -04 Section 143 of CGST/SGST 	<ul style="list-style-type: none"> Delivery Challan Gate outward register Gate Inward register Stock register Job work charges
9	Whether any business asset has been permanently disposed off for which input tax credit had been availed?	<ul style="list-style-type: none"> Sr. No 6B of GSTR-9 Schedule I of CGST/SGST 	<ul style="list-style-type: none"> Fixed Asset Schedule Contract Ledger account of fixed assets/plant and machinery
			<ul style="list-style-type: none"> Ledger account of scrap Stock register Bank Statement (Payment received) Cash flow statement
10	Whether "Related persons" or "Distinct persons" in relation to the registered person have been identified and whether activities or transactions with them have been duly identified and accounted for as per law?	<ul style="list-style-type: none"> Section 15(4) of CGST/SGST 	<ul style="list-style-type: none"> List of related/distinct persons Ledger account of Related persons Loans and advances Income tax Audit report Annual return under Companies Act

11	Whether any "Agent" has been appointed by the registered person and whether transaction with such agent has been duly accounted for as per law?	<ul style="list-style-type: none"> Schedule I of CGST/SGST 	<ul style="list-style-type: none"> Commission expenses TDS/ Form 26AS Contract with franchisee /distributor Structure of business supply chain
12	Whether any foreign exchange has been remitted outside India for any import of services and whether tax on the same has been paid as per law?	<ul style="list-style-type: none"> Sr. No. 6E and 6F of GSTR- 9 	<ul style="list-style-type: none"> Contract Bank Statement (payment made) Letter of credit/ telegraphic transfer Director report
13	Whether the goods for business use have been put to personal use?	<ul style="list-style-type: none"> Section 17 (1) of CGST/SGST Schedule II of CGST/SGST 	<ul style="list-style-type: none"> Stock register Drawings account Nature of expenses especially telephone, repair and maintenance, insurance etc.
14.	Whether tax has been paid on RCM on inward supplies?	<ul style="list-style-type: none"> Section 9(3) and 9(4) of CGST/SGST Act 	<ul style="list-style-type: none"> Self- invoices issued Payment vouchers Examine the nature of expenses especially freight (inward and outward), legal charges, import of services etc. Bank Statement (payment made)
15.	Whether tax paid on advances received?	<ul style="list-style-type: none"> Sr. No. 4F of GSTR-9 Section 12 and 13 of CGST/SGST Act 	<ul style="list-style-type: none"> Bank Statement (Payment received) Cash book for any cash received Loans and advances in the Balance Sheet Ledger account of debtors Current liabilities on account of unearned income/advance received

Sample questionnaire for auditee:

Sr. No.	Key issues	Reference returns/law	Points from Accounts
16.	Whether any credit note issued for supplies made?	<ul style="list-style-type: none"> • Sr. No. 4I of GSTR-9 • Section 34 of CGST/SGST Act 	<ul style="list-style-type: none"> • Credit Note Vouchers • Goods return register • Ledger account of sale returns • Weigh bill • Gate Inward pass • Transportation document • ITC reversed by recipient • Whether issued within timeline defined by section 34

Sample questionnaire for auditee:

SR. NO.	KEY POINTS IN RELATION TO SCOPE OF SUPPLY	Reference Points from returns
1	Whether the transaction value is in accordance with the terms of the contract?	<ul style="list-style-type: none"> Contracts/Agreement Purchase order Invoices File of Correspondence with Client/Customer
2	Whether the discounts allowed are in accordance with regular practice of the taxpayer and the purchaser has paid the sum originally charged less the discount?	<ul style="list-style-type: none"> Price Circular Invoice linked to Discount
3	Whether any amount that the supplier is liable to pay but incurred by the purchaser has been included in the value of supply?	<ul style="list-style-type: none"> Price circular Contract/Agreement
4	Whether interest or late fee or penalty for delayed payment of any consideration for any supply collected from the purchaser is included in the value of supply?	Debit Notes
5	Whether there are supporting documents for the credit notes issued for supplies made?	Price circular Contract/Agreement

SR. NO.	KEY POINTS IN RELATION TO SCOPE OF SUPPLY	Reference Points from returns
6	Whether there are supporting documents for the debit notes issued for supplies made?	
7	Whether terms of contract detail any consideration flowing from the third party?	Contract/Agreement
8	Whether the taxpayer has engaged in any supplies to related persons as defined in section 15? If so, check whether there is significant variation in the value in comparison to similar transactions with unrelated buyers.	List of related persons Inter-unit movement check through delivery challan.
9	Whether the taxpayer has made any supplies where money is not the sole consideration?	
10	Whether any exchange offer or scheme has been offered by the taxpayer?	Exchange offers during festive months.

Ratio Analysis as part of Audit

Turnover Trend Analysis

Year	Turnover as per P&L A/c or Trial Balance	Other Income	Value of Taxable Supplies	Total GST paid	GST paid in cash	GST paid by setting of ITC
2017-18						
2018-19						
2019-20						

Analysis For Manufacturer As Well As Reseller Of Goods

Sl.	PARTICULARS	2017-18	2018-19	2019-20
a)	Difference in ITC taken & ITC available on purchase of raw materials			
b)	Job work income as per P&L Account or Trial balance			
c)	Movement of inward supplies vis-a-vis total outward supply			

Based On Return Data

Sl.	RATIO	2017-18	2018-19	2019-20
i)	Inward supply value : outward supply value			
ii)	EWB value of inward supply : EWB value of outward supply			
iii)	Non-GST Turnover : Total Turnover			
iv)	Exempted Supply value: Total Turnover			
v)	Value of Goods Sent for Job Work : Total Turnover			
vi)	ITC on inward supply : Total inward supply			
vii)	Total ITC available : Total GST payable			
viii)	ITC availed on capital goods purchased during the years : addition to capital goods			
ix)	ITC availed on Capital Goods : Total ITC availed			
x)	Transitional ITC availed : ITC availed in the year			
xi)	Tax payable: Total turnover			
xii)	Total Ineligible & Reversed ITC : Total ITC Availed			
xiii)	Tax payment by ITC : Total Tax paid			
xiv)	Tax paid in cash : Tax paid on setting off ITC			

Based On Final Accounts Data

Sl.	RATIO	2017-18	2018-19	2019-20
i)	Inward supply value : outward supply value			
ii)	Other income : outward supplies			
iii)	Gross profit : Gross revenue			
iv)	Power consumption/fuel consumption (Qty) : production quantity as per P&L Account			
v)	Production of Goods : Scrap Scrap: Production of goods			
vi)	Quantity of Actual production : installed capacity			
vii)	Cost of Major input: Value of outward supplies			
viii)	Consumables value: Value of taxable supplies.			
ix)	Net profit : Value of outward supplies			
x)	Capital employed : Value of outward supplies			

General Trends

Sl.	PARTICULARS	2017-18	2018-19	2019-20
a)	Total Turnover			
b)	Total Zero Rated (Exports) Supply,			
c)	Supply to SEZ			
d)	Deemed Export			
e)	Total Exempted Supply			
f)	Total NIL rated Supply			
g)	Total Non-GST Supply			
h)	Total Taxable Outward Supply			
i)	Total Inward Supply subject to Reverse Charge			
j)	Total Tax payable on Outward Supplies			
k)	Additional Tax paid by DRC-03 (Annual Return)			
l)	GST of a particular goods/service vis-a-vis overall growth of that industry. (%)			
m)	Trend in proportion of value of exempted goods/services to the total value of goods/services. (%)			

Sl.	PARTICULARS	2017-18	2018-19	2019-20
n)	Gross operating profit			
o)	GST paid by debit in Electronic Cash ledger vis-à-vis GST paid by debit in Electronic Credit Ledger			
p)	GST paid by debit in Electronic Credit ledger vis-à-vis Total GST paid			
q)	Value of outward supplies made to related person vis-a-vis total value of supplies. (%)			
r)	Inter unit transfers /sales to related party as per Balance Sheet			
s)	Total refund claimed			
t)	Total refund sanctioned			
u)	Demand raised (if any)			
v)	Value of EWB outward			
w)	Value of EWB inward			

Audit Submissions

उपलब्ध नहीं कराये गये हैं—

- 1- Annual Report & Directors Report (if any).
- 2- Transactional Trial Balance(Four Column) For the Audit Period, Soft Copy In Excel Format.
- 3-Cost Audit Report (if any).
- 4- Income tax return full set and form 26 AS for the audit period, soft copy pdf formate.
- 5- Input tax credit availed and utilized – ledgers for the audit period, soft copy in excel formate.
- 6- Sales purchase and expenses ledgers for the audit periods in excel formate.
- 7- Refund documents (if applied for) (soft copy).
- 8- Copies of debit notes, credit notes and other receipt/payment/refund voucher for the audit period soft copy.
- 09- Copy of any order/notice issued by department (if any) soft copy.
- 10- Job work invoices (if any) soft copy.
- 11- Delivery challans (copies).
- 12- Electronic/soft copy of all the accounts.
- 13- Any document that record communication from GST department.
- 14- Agreement/contract/with other parties related to the business (If any) Soft Copy.
- 15- All Invoices releted to Inward, Outward supply and RCM invoices.
- 16- All Invoices/Vouchers pertaining to Purchase from Unregisterd Person.
- 17- Transportation bilties pertaining to Inward/ Outward Supply of goods.
- 18- daily production register.
- 19- Debtor/Creditors List and ledgers.
- 20- Stock Register of Raw materials, consumables and finished goods.
- 21- Production Flow chart with Quantitative detail.

अतः आपको निर्देशित किया जाता है कि दिनांक—21.03.2024 तक उपरोक्त

Indicative List of documents to be submitted / to be kept ready for verification by dealer as per GST-ADT-01

1. Financial statements and reports- Balance Sheet, Tax Audit Report, Annual Financial Statement, Cost Audit Report, Trial Balance
2. Inward –Outward supply summary statement
3. RCM ledger and supportive documents
4. Inward –Outward supply invoices
5. Cancelled invoices due to any reason
6. Goods return (inward and outward supply) register along with credit note / debit note details
7. Inward supply Register (soft copy)
8. Outward Supply register (soft copy)
9. Zero rated supply register and supportive documents (commercial invoice, shipping bill, bill of lading, EGM , Bank realization certificate or Inward remittance certificate etc)
10. Details of Exempted supply / Supply to SEZ dealer
11. Refund claim / availment details if any (export of good and services, inverted duty structure etc. any type of refund claimed by dealer)
12. TDS payment transactions if any
13. TRAN-1 details (details regarding credit carried forwarded from previous Act to GST Act)
14. GSTR 2A-Mismatch, unmatched transactions details
15. E-way bill transactions month wise summary statement and corresponding register
16. In case of services, FIRC (Foreign Inward Remittances), corresponding agreements, invoices, Annual Maintenance Contract copies and corresponding invoices if any
17. Details of advances received and tax payment for the same
18. Other Income/ misc. income
19. Reversal / reduction of ITC
20. Scrap sales
21. Details of exempted outward supply
22. Details of zero rated supply
23. Non-GST supply
24. Job work details (inward and outward side)
25. Credit ledger Input tax credit availment summary (for Capital asset, liability. Refund claim, any other deduction)
26. Cash ledger as availment summary (for liability. RCM, any other deduction)
27. Reversal of ITC within 180 days due to non-payment in 180 days

The above documents may vary from case to case depending on the volume, gravity, complexity, etc of the each individual case.

Documents to be Submitted – Outward Supplies

1. Break-up of Turnover as per AFS state-wise
2. Break-up of Turnover as per AFS Ledger-wise
3. Turnover Reco of AFS with Sales Register
4. Bill-wise Sales Register containing SKU, Item-group, GST Rate, HSN Code wise Pivot's
5. Outward supply invoices
6. Cancelled invoices due to any reason
7. Goods return (outward supply) register along with credit note/debit note details
8. TDS payment transactions if any
9. Details of advances received and tax payment for the same
10. Nil Rated, Exempted - Detailed Write-up
11. Write up regarding composite / mixed supplies
12. List of HSN /SAC of the goods /or services in respect of the business.
13. Statement of sales party wise and POS wise.

Documents to be Submitted – Outward Supplies

Transaction Specific Data

1. Zero rated supply register and supportive documents (commercial invoice, shipping bill, bill of lading, EGM , Bank realization certificate or Inward remittance certificate etc.)
2. In case of services, FIRC (Foreign Inward Remittances), corresponding agreements, invoices, Annual Maintenance Contract copies and corresponding invoices if any
3. Other Income/misc. income
4. Scrap sales
5. Details of exempted outward supply
6. Details of zero rated supply
7. Non-GST supply
8. Related party Transactions
9. Supporting invoices / proof that tax is discharged on RCM basis by the recipient in case of RCM outward supplies

Documents to be Submitted – Outward Supplies

Reconciliations

1. Sales Register with GSTR-9
2. GSTR-9 with GSTR-1
3. GSTR-9 with GSTR-3B
4. Sales Register Vs E-way bill
5. Sales Register Vs E-invoice
6. Monthly Reconciliations with interest calculations
7. Supporting for DRC payments

Reconciliations :: Keep it Auditable

- It is observed that reconciliations of various data are maintained by the taxpayer however transaction wise mapping (vide Unique code) is not maintained hence making their workings un-auditable.

- Monthly Reconciliations
 - a. GSTR-2B vs Books – ITC
 - b. GSTR-2B vs GSTR-3B - RCM
 - c. GSTR-1 Vs 3B Vs E-invoice Vs Books
 - d. E-way bill Reco (for Inward as well as outward transactions)
 - e. Credit note listing mapping with Original Tax invoice and Category of Credit note

- Yearly Reconciliations
 - a. Fixed Asset Addition Reco
 - b. Quantity Reconciliations
 - c. Rate-wise Reconciliation
 - d. GSTR-1 vs TDS / TCS

Documents to be Submitted – Inward Supplies

1. Inward supply summary statement – Inputs/Services/Capital Goods, 9C Category wise,
2. Inward supply Register (soft copy)
3. Inward supply invoices along with delivery challans / weighing slips etc
4. Goods return (inward supply) register along with credit note/debit note details
5. GSTR 2A-Mismatch, unmatched transactions details
6. E-way bill transactions month wise summary statement and corresponding register
7. Reversal/reduction of ITC
8. Job work details (inward and outward side)
9. Reversal of ITC within 180 days due to non-payment in 180 days
10. Refund claim/availment details if any (export of good and services, inverted duty structure etc. any type of refund claimed by dealer)
11. Suppliers list with GSTIN – 3B Filing status
12. Quantity Details to prove non applicability of Rule 42

Documents to be Submitted – RCM

1. Expense Reconciliation as per GSTR-3B vs GSTR-9 vs GSTR-2A
2. Reconciliation of expenses as per AFS in various categories
3. Categorization of expenses into
 - Total expenses as per AFS
 - Expenses on which GST is levied
 - Expenses which are Nil rated / Non GST / Exempted
 - Provisions
 - Supply transactions netted off against expenses
 - Probable RCM transactions

Documents to be Submitted – General

1. Credit ledger Input tax credit availment summary (for Capital asset, liability. Refund claim, any other deduction)
2. Cash ledger availment summary (for liability, RCM, any other deduction)
3. Annual report and Director's report (if any)
4. Profit & Loss, Balance Sheet and Notes to accounts
5. Trial balance if maintained
6. ITR Acknowledgement, Computation sheet and complete form
7. Tax Audit Report
8. Cost Audit Report
9. Statement of income tax TDS.
10. Ledger accounts of the suppliers
11. Bank Statement for the period under audit
12. Stock register
13. Other documents and records as applicable as provided in section 35 of the Act

Business Contracts / Agreements

- a) A business contract/agreement is the statement, either oral or written, of an exchange of promises in business. It is a negotiated and legally enforceable understanding between two or more legally competent parties.
- b) There are different types of business agreements/contracts. Scrutiny of these contracts or agreements constitutes one of the important functions of audit, some of which are discussed below:-
- Foreign Technical Collaboration Agreement
 - Joint Venture Agreement
 - Joint Development Agreement in Real Estate Sector and GST Audit
 - Works Contract
 - Manufacturing Agreement
 - Service Agreement
 - Job Work Agreement
 - Dealership/Distribution agreement
 - Purchase Contract
 - Lump sum turn-key contract

What to check ?

Examples of some types of Account that require thorough examination

- Director's Report
- Auditor's Report
- P & L A/c
- General Ledger A/cs for various expenses
- Income Tax Audit Report
- Internal Audit Report
- Fixed Asset Schedule [available in Balance Sheet]
- Other Income/ Miscellaneous Income
- Unbilled revenue
- Unadjusted Advances
- Other adjustments

Director's Report

- This gives information like overall financial results of the company, important happenings during the year and future plans of the company. Information in respect of advance received and order booked.
- Some of the important happenings like fire and loss of material in the company, details of new products launched, change in the marketing pattern etc. reported in the report may be useful to the auditor.
- Information on the operations carried out by the Auditee during the year under report. This may help in finding the exact nature of services provided by the Auditee.
- It may show some of the Directors having commission and some having received sitting fees. Are these receipts liable to GST? If, yes what will be the value of supply? Besides sitting fees if other facilities like car, flat, club membership etc are provided whether all such will be part of consideration or not? Audit officers should follow provisions of sec 15 read with rule 27 of the CGST/SGST Act, 2017.
- If any Director helped the company by standing as a guarantor in taking a loan whether that will be treated as supply?
- We may get information in respect of person Seconded by Foreign entity to render services to an Indian Entity not as employee of Indian entity. This importation of service is treated as supply as per entry no.4 of Sch.I appended to section 7 of the CGST/SGST Act, 2017.

Auditor's Report

- In the case of Public Sector unit, C & AG report and comment of the company available in the Annual Report should be examined.
- Disclosure of accounting policies followed in the presentation of financial statement – Auditor's Notes may contain accounting standards with the disclosure of significant accounting policies followed in the preparation and presentation of financial statements. Such policies often give additional valuable information, e.g. The auditee may disclose revenue as per AS 7, where the principles of accrual system of revenue are acknowledged. But, the auditee for GST purpose may disclose supply value from works contract on certified bill basis.
- In the case of statutory audit, a separate report under CARO (Companies Auditor's Report Order,) is required to be given. The same should be studied to find out any qualified/adverse opinion given by the auditors which may have impact on GST liability. For example, Auditor may report that goods meant for outward supply, available in stock were not reconciled or provision for obsolete items have not been made during the year. Tax auditor may like to examine such opinion in detail.
- Company Auditor's Report Order (CARO) may be studied to find out whether the fixed assets records have been maintained properly or whether physical verification of inward supply and goods meant for outward supply was under taken and whether any discrepancies were noticed on such verification or whether the company has maintained proper records for unserviceable or damaged goods. It also shows disputed tax liabilities separately for Customs, Income Tax, GST etc.
- Cases booked under Income Tax may be examined to find out any implication on GST.
- Foreign Exchange earned / paid during the year, e.g. may be on account of taxable services received by the Auditee where he is liable to pay GST under reverse charge mechanism.

P & L A/c

The Profit and Loss Account shows major items of expenditure and income. This is one of the important documents used during desk review to find out the overall working of the unit. **In the main body of the Profit & Loss Account, only major heads of expenditure and income are given and the constituents of these headings are given in a separate annexure. The said annexure should be studied in detail.**

P/L account may be studied for the following purposes:

- The most important step of audit is to determine the Total Turnover in the State and the tax liability of the auditee. This information in the P&L A/c may be available as Sale or Operating Revenue or in any other similar nomenclature. However, this part denotes only the operating income, i.e. income from the main activity of business.
- The auditee may have other incomes like scrap, insurance claims receipt, profit on sale of fixed assets, commission received, erection and commissioning, freight and insurance recovered etc. which may be examined in detail to find out the exact nature of such incomes and whether these have any bearing on the valuation or whether these are liable for GST. They should carefully study the nature of business income – some of which may have accrued from the supply of taxable services and the balance from the supply of non-taxable services. The exact nature of these services may be determined from the supporting documents such as vouchers, bills or contracts.
- The primary documents to be examined in this case are: Supply Invoices; Bank Statement; Debtors Ledger; Party-wise customer list. To ascertain the veracity of the figure reported in the Sale A/c vis-à-vis the Turnover disclosed in the Returns, additional documents like Sale contracts, Delivery Challan, Material Transfer Notes may be examined.

General Ledger A/cs for various expenses

Scrutiny of expenses ledger is very important for an Audit Officer as the expenditure accounts have direct impact on availment of ITC, valuation of finished goods and payment of GST on the taxable value, value of inward supply on which GST is pay able under Reverse Charge. **(e.g. Expense Accounts:** Purchase, Packing and Forwarding Expenses, Advertisement Expenses, Transportation/Freight Charges, Outward supply Expenses, Sale Promotion, benefits to employees, entertainment expenses etc.)

The General Ledger may contain various accounts depending upon the scale of business of the auditee. Hence, selection of account for scrutiny is an important task for an auditor. For this purpose, accounts should be selected from the Trial Balance (if available) which gives names of all the accounts maintained by a unit.

While making the detail examination-

- All the important Purchase accounts need to be checked to find out whether any rejection of raw material or short receipt of input have taken place which will have impact on the ITC availed by the auditee.
- Raw material consumption account may also be verified to find out with regard to writing off obsolete material.

General Ledger A/cs for various expenses

- Expenditure accounts where recovery of expenses is possible like Packing and Forwarding Expenses Account, Advertisement Expenses Account, Transportation/Freight Charges Account, Outward supply Expenses Account etc. may be scrutinized in order to find out any recoveries being made from the customer.
- From the Trial Balance, the income accounts (these types of accounts will have credit balances) should be selected for scrutiny and the exact nature of such income's accounts should be found out from the study of the documents mentioned in the relevant ledger accounts. Some of these accounts might have direct impact on the valuation of finished goods or it may also affect the GST liability.

Income Tax Audit Report

- The Tax Audit Report is given by Chartered Accountant. The said report is given in the form 3 CD and it is required to be enclosed along with the Income tax return filed by the taxable person.
- Depreciation statement as per the provisions of Income Tax Act enclosed with Tax Audit Report may be verified to confirm the correctness of availment of ITC on capital goods.
- As per Clause 27(a) of the said report, amount of ITC availed or utilised during the year and its treatment in the Profit & Loss Account and treatment of outstanding ITC in the account is required to be given. Tax Auditor may compare the said information with the information as per taxable value records.
- As per clause 35(a) to 35(c), details like opening stock, purchases, outward supply and closing stock of trading activities and in the case of manufacturing unit quantitative details or principal items of raw materials, finished goods and byproducts showing opening stock, purchases, consumption, outward supply, closing stock, yield of finished goods, percentage of yield and shortages/excesses is required to be given. This information may be used by Tax Auditor to verify the input-output ratio. The reasons for excessive shortage/ excesses and whether GST has been paid on the outward supply of raw material as reported in the tax audit report may be inquired into.

Internal Audit Report

- This is the report submitted by internal auditors appointed by the company which looks into day-to-day activities and the systems followed by the unit.
- This report can be used for cross verification of loss of any input, excess avilment of ITC, collection of additional consideration. Also the implications on the past period for any short payment or nonpayment of tax can be examined from this report.
- Internal Auditor also reports about stock verification and in case of shortages the ITC avilment needs to be examined.

Fixed Asset Schedule [available in Balance Sheet]

This schedule contains the details of addition, deletion to the asset and depreciation charged thereupon. The examination thereof has multiple impact – in terms of turnover arising out of miscellaneous income and reversal of ITC under certain conditions. An asset can be deleted upon various circumstances – it may lose its working condition and hence may be written off. In such case, it may yield a scrap value. Whether any consideration has been received in this case can be verified from the Other Income/Miscellaneous Income A/c. This will have an impact on the Turnover.

An old asset may also be permanently transferred to any related or distinct person. In such case, the matter should be looked into from the angle of Schedule I of Sec 7 of the SGST/CGST Acts, 2017. In case ITC has been availed on such asset, such has to be reversed.

Furthermore, running assets are depreciated in prescribed rates. In case depreciation has been charged on a value inclusive of GST, such ITC has to be reversed. Verification of the claim of depreciation on capital goods should be made from the Income tax return filed by the taxable person or from the Income Tax Audit Report (Form 3CD).

There may also be possibilities of recording both expenses as well as income relating to a particular asset in the same account, thus affecting the net balance of such account. In this case, each Ledger Account for individual assets need to be checked to ascertain whether there are any sale or disposal or transfer of such asset hidden in such account. Presence of such may have impact on the tax liability of the auditee

Other Income/ Miscellaneous Income

Other income/Miscellaneous Income as reported in the P & L A/c comprises of income from all those sources which do not form its operating revenue.

A supplier in GST has its operational revenue generating from supply of goods or service or both. But there are other sources from which he may earn something more which is not booked under the A/c heads of Sales or Services or Revenue, as the case may be. Such incomes in a consolidated manner are known as Other incomes/Miscellaneous Income. Some major sources of other/miscellaneous income are income from:

- Sale of scrap
- Receipt of insurance claim
- Profit on sale of fixed assets
- Commission received
- Penalty / demurrage/ compensation received from employee/customers/suppliers
- Rental income
- Interest from Bank
- Interest from debtors for late payment
- Revaluation gain on fixed assets
- Gain on exchange rate
- Discount received
- Dividends
- Freight and insurance recovered etc.

Other Income/ Miscellaneous Income

Many of such incomes are subject to GST such as sale of scrap or sale of fixed assets, as the nomenclature sale suggests. But there are many other account heads forming part of miscellaneous income (except a few) which also qualify as supply and should be forming a part of the GST Aggregate Turnover. Thus, these incomes are required to be examined in detail to find out the exact nature of such incomes and whether these have any bearing on the valuation or whether these are liable for GST

Thank You

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