

**THE CENTRAL GOODS AND SERVICES
TAX ACT, 2017**

AUDIT UNDER GST

Presented By:

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Meaning of the term 'Audit'

SECTION 2(13):- Audit means

- **Examination** of records, returns and other documents
- **maintained** or furnished by the **registered person**
- **under this Act or rules** made there under 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**
- **To assess** his **compliance** with the provision of this Act or rules made there under.

Provisions relating to GST Audit

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

- **Section 2(112)** *“turnover in State”* or *“turnover in Union territory”* 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) and
- **exempt supplies** made within a State or Union territory by a taxable person,
- **exports** of goods or services or both and **inter-State supplies** of goods or services or both made from the State or Union territory by the said taxable person
- **but excludes** central tax, State tax, Union territory tax, integrated tax and cess;

- **7. (1) For the purposes of this Act, the expression “supply” includes—**
- (a) all forms of supply of goods or services or both such as **sale**, transfer, barter, exchange, licence, rental, lease or disposal made agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) **import of services** for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in **Schedule I**, made or agreed to be made without a consideration; and
- (d) the activities to be treated as supply of goods or supply of services as referred to in **Schedule II**.

Section- 44(2) – ANNUAL RETURN

- Every **registered person** who is required to get his accounts **audited** in accordance with the provisions of **sub-section (5) of section 35**
- shall furnish, electronically, the **annual return (on or before 31st day of December)** under sub-section (1) along with a copy of the **audited annual accounts and a reconciliation statement,**
- **reconciling** the value of supplies declared in the return furnished for the financial year **with the audited annual financial statement,**
- and such other particulars as may be prescribed.

- **Section: 44(1)-Annual Return** *Every registered person, other than an Input Service Distributor, a person*
- paying tax under section 51(TDS) or section 52(TCS), a casual taxable person and a non-resident taxable person,
- shall furnish an **annual return** for every financial year electronically in such form and manner as may be prescribed
- on or before the thirty-first day of December following the end of such financial year.

- **Rule 80(3):** Every registered person whose **aggregate turnover (next slide)** during a **financial year** exceeds **two crore** rupees
- shall get his **accounts audited** as specified under sub-section (5) of section 35 and
- he shall **furnish** a copy of audited annual accounts and a reconciliation statement ,
- duly certified, in **FORM GSTR-9C**, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

- **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;

TYPES OF AUDIT- CONTD.....

- 2. Audit by tax authorities- Section 65**
- 3. Special Audit – Section 66 by CA/Cost Accountant**

FORM GSTR 9C – - RULE 80(3)

PART A – RECONCILIATION STATEMENT (5 Points)

PART B- CERTIFICATION (**two certificates**)

- **PT.1** – Basic Details
- **PT-2** – Reconciliation of **Turnover declared** in audited Annual Financial Statement with **turnover declared in Annual Return (GSTR9)**
 - A. Reconciliation of **Gross Turnover** with **reasons of difference**
 - B. Reconciliation of **Taxable Turnover** with **reasons of difference**
- **PT-3** - Reconciliation of **Tax paid** with reasons of un-reconciled payment of Tax

- **PT-4** – Reconciliation of Net input Tax credit (ITC) with reasons for un- reconciled difference.
- Reconciliation of ITC declared in Annual return with **ITC availed on expenses** as per Audited Annual Financial Statement or books of Accounts with reasons for un-reconciled differences in ITC.
- **Tax payable on un-reconciled differences in ITC**
- **PT-5** – Auditors recommendation on **Additional liability due to non reconciliation.**

CONTENTS OF GSTR – 9C

“FORM GSTR -9C”

See rule 80(3)

PART –A - Reconciliation Statement

PT.1	Basic Details	
<u>1</u>	Financial Year	
<u>2</u>	GSTIN	
<u>3A</u>	Legal Name	
<u>3B</u>	Trade Name(if any)	
<u>4</u>	Are you liable to audit under any Act? <<Please specify>> Income Tax, Co. Act, Vat, Excise	
		(Amount in ₹ in all tables)
PT.II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
<u>5</u>	Reconciliation of Gross Turnover	
5A	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)	To include indirect income such as dividend, interest, forex fluctuation, profit on sale of assets etc.
5B	Unbilled revenue at the beginning of F.Y(refer 5H) (+)	Requirement of AS-9/IND AS 115(Revenue Recognition)

Table No.	Instructions
5A	<ul style="list-style-type: none">• 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. Regd. Person must be able to carve out the trial balance of every registration from consolidated trial balance. If it is not possible, then the regd. Person must be able to derive the transactions of every registrations from the single trial balance.• This shall include export turnover (if any). <p style="text-align: right;">Contd.....</p>

INSTRUCTIONS

- **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.**
- **Turnover worked internally may not be certified by any auditor. Therefore, note/ observation may be given in certificate at Point No-5**
- **Turnover in Profit & Loss Account is recorded from operations but in GSTR 1 turnover is to be shown for other transactions also as per scope of supply(Section-7). Therefore, while mentioning turnover in 9C values of all transactions together to be reported. Such as profit on sale of assets in P/L A/c but in GSTR-1 full sale value shown.**

Instructions:

5B

- **Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here.**
- **In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here.**
(See next slide for examples)
- **(For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016 -17, and during the current financial year, GST was paid on rupees Four Crores of such revenue,**
- **then value of rupees Four Crores rupees shall be declared here)**

Examples of 5B

- 1. Representation services provided on 25th of March for which invoice is raised on 5th of April will be recognized as unbilled revenue. However, this will not be part of Clause 5B as it is transaction during the period April 2017 to June 2017.**
- 2. IT/ITES services provided for the month of March 2017 for which invoice is raised on 1ST July 2017 as per the terms of contracts will be recognized as unbilled revenue.**
- 3. Fixed Landline charges for the month of March will be recognized as unbilled revenue to the extent of billing cycle in subsequent month/quarter.**

Contd.....

- 4. Rental contract for which billing is on 20th of every month, unbilled revenue will be recognized in the books of accounts as on 31st March to the extent of 11 days of services provided in March.**
- 5. Maintenance contract for which billing is on 5th of the subsequent month, unbilled revenue will be recognised in the books of accounts on 31st March.**
- 6. Cost incurred as on 31st March towards construction services for which billing will be done on reaching the milestone in Sept. 2017.**

Contd.....

“FORM GSTR -9C”

5C	Unadjusted advances at the end of the Financial Year (See 5 I also) (+)	AS-9/ IND AS 18 does not recognize advances as income. But GST Law recognize.
5D	Deemed Supply under Schedule I (without consideration) (+)	<ol style="list-style-type: none">1. Permanent Transfer of business asset if ITC taken.2. Supply of goods or services between related persons Rs. 50000/- employer to employee not taxable3. Supply of goods by principal to agent and vice versa.
5E	Credit Notes issued after the end of the financial year but reflected in the annual return : Sec- 34(1) & 34(2) (-)	
5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST (+)	AS-9/ IND AS 18 recognizes revenue on a transactions after reducing discout / volume rebate allowed by entity

Instructions

5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here. Sec 12 (Time of Supply of Goods) & 13(For Services). Noti – 40/2017 Central Tax dt 13.10.17 < 1.5 Cr ,66/2017 dt 15.11.17 for all for goods.
5D	Aggregate value of deemed supplies under schedule 1 of CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in audited Annual Financial Statement is not required to be included here.
5E	Aggregate value of credit notes which were issued after 31st of March (Say in May 2018) for any supply accounted in the current financial year (Say for Dec 2017) but such credit notes were reflected in the annual return (GSTR – 9 Table 11) shall be declared here.
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be

“FORM GSTR -9C”

5G	Turnover from April 2017 to June 2017	(-)	
5H	Unbilled revenue at the end of Financial Year	(-)	Refer 5B also
5I	Unadjusted Advances at the beginning of the Financial Year	(-)	In 1st Year it may not be applicable
5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	Consideration Rs. 45000/-, value as per valuation rules Rs. 50,000/-. Credit note Rs. 5000/- not permissible.

Instructions:

5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here. Similar to 5B of this table.
5I	Value of all advances for which GST has not been paid (paid in earlier year-services) but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.

“FORM GSTR -9C”

5K	Adjustments on account of supply of goods by SEZ units to DTA Units (-)	
5L	Turnover for the period under composition scheme (-)	

Instructions:

5K	<p>Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here. These supplies would have been recorded in books of accounts as sale of SEZ units but will not be considered as supply for GST purpose and hence not shown in returns . For DTA these inward supplies are treated as import of goods. Therefore, these are to be reduced.</p>
5L	<ul style="list-style-type: none">• 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.

“FORM GSTR -9C”

5M	<p>Adjustments in turnover under section 15 (Valuation) and rules (27 To 35) there under (+/-)</p> <p>Interest, Penalty for delay in payment of consideration not considered, taxes, duties etc. not taken in value, amount incurred by recipient, supply between related persons.</p> <p>Section 15(1) & 15(2) deals with additions and 15(3) (Exclusion of discount) with deductions.</p>	
5N	<p>Adjustments in turnover due to foreign exchange fluctuations (+/-)</p> <p>If supplier is exporter and invoice is in foreign currency, the exchange rate might have taken at forex rate as per GAAP in books of accounts but for GST- rate is as per CBIC rate. Rule 34(1) amended w.e.f. 27.07.2017</p>	

Instructions:

5M

- There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 (**value of taxable supply to related parties etc.**) of the CGST Act, 2017 and rules there under.
- Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.

5N

Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.

“FORM GSTR -9C”

5O	Adjustments in turnover due to reasons not listed above (+/-)	Next Slide
5P	Annual turnover after adjustments as above	<Auto>
5Q	Turnover as declared in Annual Return GSTR9-(5N+10-11)	
5R	Un-Reconciled turnover (Q -P) Ideally, there should not be any difference. Still if any, we need to give reasons. This will help govt to identify tax evasion and non-compliance.	AT1

Analysis of Sl. No. 50

The following adjustments can be reported :

- a) Turnover considered as supply under GST but not considered as income in the audited financial statements. (Next Slide)

Contd.....

Sl. No.	Particulars	Action
1	Notice pay recovered from employees(declared as supply in GSTR-9 but debited in salary A/c and hence not appearing as indirect income	+
2	Incentives / rebate received from suppliers and considered as supply under GST but reduced the cost in books of accounts	+
3	Sales promotion/ advertisement/ reimbursement received and considered as supply but credited the expenditure a/c in P&L A/c	+
4	Out of pocket expenses considered in the value of supply in GSTR-9 but credited in the expenses in P&L A/c	-

5	Value on which GST paid on sale of capital goods	+
6	Profit on sale of capital goods disclosed in audited financial statements	-
7	Loss on sale of capital goods disclosed in audited financial statements	+
8	Inward supply returns consider as outward supply and for which tax invoice issued but credited purchases in P&L A/c	+
9	Outward supply returns considered as inward returns same as 8 above	-

10	Income in P&L A/c recognised based on special circumstances (in case of construction services is recognised in P&L on % completion method but GST paid on advances received.	-
11	Value on which GST is liable to be paid in respect of transactions where income is recognised based on special circumstances (same as 10 above)	+
12	Any other adjustments	(+/-)

- **Turnover discovered as supply during audit but not considered in books of accounts and GSTR-9. List of such transactions can be as under :**
- **Physician samples** issued to doctors
- **Notice pay** recovered from employees
- **Gifts** given to Customers/Vendors/Distributors
- **Goods sent on approval** but not approved and received back within 6 months from date of goods sent.- Deemed supply but not considered in P&L A/c

Contd.....

Auditors Role

- Auditors Role is **not to carry out and investigation** to discover all the transactions which ought to have been considered as turnover but not reported in GSTR-9.
- The **requirement** in Table 5 of GSTR-9C is to **reconcile turnover** which has either been reported in GSTR-9 or Audited Financial Statements.
- However, any transaction which is **apparently visible**, the auditor is required to disclose the same in Table 5O and **explain** the same in Table 6.

Contd.....

Source of Information

- All the information reported here can flow from:
 - the Profit and Loss Account,
 - Notes forming part of the audited Annual Financial Statements,
 - Fixed Assets Schedule,
 - Credit entries in expense ledgers,
 - Inventory records and Form ITC-04.

Instructions:

50	<p>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.</p> <p>Such as income as per AS-7,deffered revenue, provisional income etc.</p>
5Q	<ul style="list-style-type: none">•Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here.• This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).

“FORM GSTR -9C”

- **Reasons**
- 1. Govt. grant not turnover for GST but treated as revenue in P&L A/c
- 2. Goods sent on Approval – Turnover at the end of 6 months for GST but may not be for P&L A/c as per terms of contract.
- 3. Any turnover shown in P&L A/c but not shown in GSTR 3B or GSTR 1 and therefore not appearing in annual return Form 9.

<u>7</u>	Reconciliation of Taxable Turnover	
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Instructions:

7

The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).

“FORM GSTR -9C”

7A	Annual turnover after adjustments (from 5P above)	<Auto>
7B	Value of Exempted, Nil Rated, Non -GST supplies, No –Supply turnover. Net of C/N,D/N,Amendments. (-)	See Next Slide.

Instructions:

7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

“FORM GSTR -9C”

- **Definition of various types of supply:**

- **Exempt Supply [Sec 2(47)]:** “**Exempt Supply**” means supply of any goods or services or both which attracts **nil rate** of tax or which may be **wholly exempt** from tax u/s 11 of CGST Act, or under section 6 of the IGST Act, **and includes non-taxable supply.**
- **Non GST Supply:** Though this terminology is not used in the GST law but the same is used in GST Returns. **These are nothing but non taxable supply.** As per section
- **2(78) “non-taxable supply”** means a supply of goods or services or both which is **not leviable to tax** under this Act or under the Integrated Goods and Service Tax Act. **These are supply of 6 types of goods:** **Contd.....**

“FORM GSTR -9C”

- a) **Section 9(1) of CGST Act / Section 5(1) of CGST Act Deduction** – Constitutional Deduction – Supply of alcoholic liquor for human consumption.
- b) **Section 9(2) of CGST Act / Section 5(2) of CGST Act Deduction** – Statutory Deduction – Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
- **No Supply** : This phrase is not used in the law, but to my understanding it should be about activities covered under Schedule III of CGST Act. **Services by employee to employee, by any court or tribunal functions performed by MP, MLA’s members of Panchayat etc. Services of Funeral, Burial of the deceased, sale of land and building, actionable plans other than lottery, batting and gambling.**

“FORM GSTR -9C”

7C	Zero rated supplies without payment of tax (including SEZ Supplies without tax (-))	
7D	Supplies on which tax is to be paid by the recipient on reverse charge basis u/s 9(3) (-)	
7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>

Instructions:

7C	<ul style="list-style-type: none">• Value of zero rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here.• This shall be reported net of credit notes, debit notes and amendments if any
7D	<ul style="list-style-type: none">• Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. (Section 9(3), 9(4) and 5(4) IGST)• This shall be reported net of credit notes, debit notes and amendments if any.
7E	<ul style="list-style-type: none">• The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and• the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above

“FORM GSTR -9C”

<p>7F</p>	<p>Taxable turnover as per liability declared in Annual Return (GSTR9)</p>	<p>(4N-4G)+(10-11)</p>
<p>7G</p>	<p>Unreconciled taxable turnover (F-E)</p>	<p>AT 2</p>

Instructions:

<p>7F</p>	<p>Taxable turnover as declared in Table (4N-4G)+(10-11) of the Annual Return (GSTR9) shall be declared here.</p>
<p>7G</p>	<p>Difference will be used in Table 11 Part III to determine additional amount payable.</p>

“FORM GSTR -9C”

8	Reasons for Un -Reconciled difference in taxable turnover		
A	Reason 1	See Next Slide	<Text>
B	Reason 2	See Next Slide	<Text>
C	Reason 3		<Text>

Instructions:

8	<ul style="list-style-type: none">•Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above•and the taxable turnover declared in Table 7F shall be specified here
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- **Reasons**

- If a registered person has shown some exempted turnover in GSTR 9 but conditions of exemptions are not fulfilled, the auditor will treat it as taxable turnover. Hence, the difference in 7E and 7F.
- If some turnover was taxable as shown in P&L A/c but not reported either in GSTR 3B or GSTR 1, there will be difference in 7E and 7F.
- Some Export turnover without payment of tax in P&L A/c but shown as with payment of tax in GSTR 9, there will be difference in 7E and 7F.

“FORM GSTR -9C”

PT.III	Reconciliation of tax paid		
<u>9</u>	Reconciliation of rate wise liability and amount payable thereon		
			Tax payable

Instructions:

	<p>The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9).</p>
9	<p>Under the head labeled “RC”, supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.</p>

“FORM GSTR -9C” – Tax Payable

9	Description	Taxable Value	Central Tax	State tax / U/T 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					

“FORM GSTR -9C”

9P	Total amount to be paid as per tables above	[REDACTED]	<Auto>	<Auto>	<Auto>
9Q	Total amount paid as declared in Annual Return GSTR-9: Part 4 and 14 of Part 5				
9R	Un-reconciled payment of amount (PT1)				

Instructions:

9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).

“FORM GSTR -9C”

<u>10</u>	Reasons for un -reconciled payment of amount	
A	Reason 1	Next Slide
B	Reason 2	Next Slide
C	Reason 3	Next Slide

Instructions:

10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here
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“FORM GSTR -9C”

- **Reasons**

- Wrong HSN used by the taxpayer the tax payable may be different and can be a reason of difference.
- Right HSN used but wrong tax rate paid can be a reason of difference.
- Wrong place of supply declared by taxpayer will be the reason of difference.

“FORM GSTR -9C”

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 / U/T 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)					

Instructions:

11

Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

It appears that this payment should be made by the taxpayer for the Un-reconciled differences.

“FORM GSTR -9C”

PT.IV	Reconciliation of Input Tax Credit(ITC)	
<u>12</u>	Reconciliation of Net Input Tax Credit (ITC)	
12A	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)	(after reversals) Since ITC is to be worked internally for multi-GSTN units suitable observation/qualification may be required in certificate PART B
12B	ITC booked in earlier Financial Years claimed in current Financial Year (transitional credit) (+)	Since this is the first year ,ideally this should be zero.

Instructions:

12A

- ITC availed (after reversals) 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 ITC for each individual GSTIN and declare the same here.
- 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.

Instructions:

12B

- Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here.
- This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.

“FORM GSTR -9C”

12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years (-)	
12D	ITC availed as per audited financial statements or books of account (12A+12B-12C)	<Auto>
12E	ITC claimed in Annual Return GSTR9: Table 7J(60-7I)	
12F	Un-reconciled ITC (12D-12E)	ITC 1

Instructions:

12C	<ul style="list-style-type: none">• Any ITC which has been booked in Mar2018 in the audited Annual Financial Statement of the current financial year but• the same has been availed in April 2018 and has not been credited to the ITC ledger for the said financial year shall be declared here
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here

“FORM GSTR -9C”

<u>13</u>	Reasons for un -reconciled difference in ITC		
A	Reason 1	See Next Slide	<Text>
B	Reason 2	See Next Slide	<Text>
C	Reason 3	See Next Slide	<Text>

Instructions:

13	Reasons for non-reconciliation of ITC as per audited Annual Financial statement or books of account (Table 12D) and the net ITC (Table12E) availed in the Annual Return (GSTR9) shall be specified here.
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“FORM GSTR -9C”

- **Reasons**

- - Where ITC as per books of accounts is > ITC claimed in GSTR 9

- The ITC claimed in next financial year, although booked in the year in books of accounts.
- The ITC available as per books but not availed in return due to
 - Ineligible ITC not availed in the return.
 - ITC which has lapsed as not availed.

Contd.....

“FORM GSTR -9C”

Reasons

- Where ITC as per books of accounts is $<$ ITC claimed in GSTR 9
 - ITC claimed twice in the return.
 - ITC of another GSTIN of the same taxpayer claimed in the GSTIN under audit.
 - ITC of an invoice received prior to the receipt of goods in next year claimed in the return.

Contd.....

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 & 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.)			

CONTD.....

I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
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 (GSTR 9) 7J			
-	Un-reconciled ITC			

Audit of ITC on expenses

The Column 4 uses two words 'eligible' and 'availed'. Thus, the Auditor has to

- verify ITC which has been **availed** and out of such ITC only the **eligible one is claimed**.
- Thus, the government would get to know the ineligible amounts as availed by the registered person.

Illustration: The Input tax credit as booked in purchases account is as follows:

- ITC on purchase of **raw material**: Rs. 1,50,000
(Purchase value: 20,00,000)
- ITC on purchase of **consumable**: Rs. 60,000
(Purchase value: 4,00,000)
- ITC on purchase of **food items** for staff: Rs. 12,000
(Purchase value: 120,000)
- **ITC availed** by the registered person from the Purchase account: **Rs. 222,000**

Ans. The reporting of the following transactions shall be made in this column:

- value of Purchases: 25,20,000
- Amount of Total ITC: 222,000
- Amount of eligible ITC availed: Rs. 210,000

Detailed examination of all Expenses

- The Auditor has to undertake the detailed examination of all expense and asset ledger to
- ensure that the above values are correctly filed by the Registered person. It is possible that in
- absence of a detailed examination of each expense,
- such reporting of eligible ITC may not be reported correctly by the Auditor.

Conclusion

- This point required detailed examination of books of accounts to establish that Registered person has taken only eligible ITC.
- Though looking into every tax invoice may not be possible for the Auditor,
- however, he has to establish using auditing methodologies the eligible ITC.
- This requires a sound accounting system so that this exercise can be completed in given time frames.

Contd.....

- The eligible ITC shall then be compared with the ITC availed in GSTR 9 and
- differences thereof has to be explained by the Registered person.

“FORM GSTR -9C”

14

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

Instructions:

14

- This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account.
- The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available.
- Further, 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.

“FORM GSTR -9C”

R	Total amount of eligible ITC availed	<<Auto>>
S	ITC claimed in Annual Return (GSTR9)	
T	Un-reconciled ITC	ITC 2

Instructions:

14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here
14S	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

“FORM GSTR -9C”

<u>15</u>	Reasons for un -reconciled difference in ITC
A	Reason 1 Next Slide
B	Reason 2
C	Reason 3

Instructions:

15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.
-----------	--

Reasons

Difference can arise on any of the following counts:

- Ineligible ITC availed by the Registered person
- ITC booked in books of accounts but not availed including ineligible ITC not availed(lapsed)
- In case of negative amount, such difference can arise on count of ITC booked in books of accounts but availed in return GSTR 3B of subsequent year. This can be corelated with point 13 of GSTR 9.

“FORM GSTR -9C”

<u>16</u>	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)	
	Description	Amount payable
	Central Tax	
	State / UT Tax	
	Integrated Tax	
	Cess	
	Interest	
	Penalty	

Instructions:

16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here
-----------	---

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			To be paid through Cash			
	Description	Value	Central Tax	State tax / U/T 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					CONTD.....

		Value	CGST	SGST	IGST	CESS
	Any other amount paid for supplies not included in Annual Return (GSTR 9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Others (Pl. specify)					

Notes:

- The responsibility of the auditor is to recommend the additional liability if any determined by him
- The recommendation of the auditor does not have binding effect upon the registered person
- If the registered person does not pay the said amount it can be a good reason for the govt. to issue SCN
- The additional liability is to be paid in cash as mentioned in the table along with interest

- **Verification:**

I hereby solemnly affirm and declare that the information given herein above is true and correct **to the best of my knowledge** and belief and nothing has been concealed there from.

** (Signature and stamp/ Seal of the Auditor)

Place:

Name of the signatory

Membership No.

Date:

Full address

PART-B : CERTIFICATION

I. Certification in cases where the reconciliation statement (FORM GSTR – 9C) is drawn up by the person who had conducted the audit:

1 I/we have examined the –

(a) balance sheet as on

(b) the *profit and loss account / income and expenditure account for the period beginning from to ending on, and

(c) the cash flow statement for the period beginning from.....to ending on.....,-- attached herewith, of M/s (Name),.....(Address), (GSTIN).

2. **Based on our audit** I/we report that the said registered person –

* Has maintained the books of accounts, records and documents

as required by the IGST/ CGST/ <<>> GST Act, 2017 and the rules/ notifications made/ issued thereunder

- Has not maintained the following accounts/records/documents as required by the IGST/CGST/ <<>> GST Act,2017 and the rules/ notifications made/ issued thereunder:

1.

2.

3.

3. (a) *I/we report the following observations/ comments/ discrepancies/ inconsistencies; if any

-

.....

3. (b) * I/we further report that,-

(A) *I/we have **obtained** all the information and explanations which, to the best of * my/our knowledge and belief, were necessary for the purpose of the audit/

information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit **were not provided/ partially provided to us.**

- (B) In *my/our opinion, proper books of account *have/ have not been kept by the registered person so far as appears from *my/our examination of the books.
- (C) I/we certify that the balance sheet, the *profit and loss/ income and expenditure account and the cash flow statement are *in agreement/ not in agreement with the books of account maintained at the Principal place of business at and ** additional place of business within the State.

- 4. The documents required to be furnished under section 35(5) of the CGST Act/SGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act / SGST Act is annexed herewith in Form No. GSTR- 9C.
- 5. In *my/our opinion and to the best of *my/our, information and according to explanations given to *me/us, the particulars given in the said Form No. GSTR-9C are true and correct subject to following observations/ qualifications, if any:

(a)

(b)

(c)

** (Signature and stamp/ Seal of the Auditor)

Place:

Name of the signatory :

Date:

Full address:

FORM NO. 3CB
[See rule 6G(1)(b)]

Audit report under section 44AB of the Income -tax Act 1961,
in the case of a person referred to in clause (b) of sub rule 1 of rule 6G

1. *I/we have examined the balance sheet as on,, and the *profit and loss account/income and expenditure account for the period beginning fromto ending on, attached herewith, of(Name),(Address),(Permanent Account Number).
2. *I/we certify that the balance sheet and the *profit and loss/income and expenditure account are in agreement with the books of account maintained at the head office atand **branches.

3. (a) *I/we report the following observations/comments/discrepancies/inconsistencies; if any: (b) Subject to above, -
- (A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit.
- (B) In *my/our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from *my/ our examination of the books.

- (C) In *my/our opinion and to the best of *my/our information and according to the explanations given to *me/us, the said accounts, read with notes thereon, if any, give a true and fair view :-
 - (i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March; and
 - (ii) in the case of the *profit and loss account/income and expenditure account of the *profit/loss or *surplus/deficit of the assessee for the year ended on that date.

4. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No.3CD.
5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.3 CD are true and correct subject to following observations/qualifications, if any:

a.....

b.....

c.....

** (Signature and stamp/Seal of the signatory)

Place:

Name of the signatory

Date:

Name of the signatory

Notes :

1. *Delete whichever is not applicable.
2. **Mention the total number of branches.
3. ***This report has to be signed by person eligible to sign the report as per the provisions of section 44AB of the Income-tax Act, 1961.
4. The person, who signs this audit report, shall indicate reference of his membership number/certificate of practice number/authority under which he is entitled to sign this report.

II Certification in cases where the reconciliation statement (FORM GSTR-9C) is **drawn up by a person other than the person** who had conducted the audit of the accounts:

- * I/we report that the audit of the books of accounts and the financial statements of M/s. (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of the auditor along with status), bearing membership number in pursuance of the provisions of the Act, and *I/we annex hereto a copy of their audit report dated..... along with a copy of each of:

- (a) balance sheet as on.....
- (b) the *profit and loss account/ income and expenditure account for the period beginning from to ending on.....,
- (c) the cash flow statement for the period beginning from..... to ending onand
- (d) Documents declared by the said Act to be part of , or annexed to, the *profit and loss account/ income and expenditure account and balance sheet.

2. I/we report that the said registered person –
- has maintained the books of account ,records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act,2017 and the rules/notifications made/issued thereunder
 - has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟨⟩⟩ GST Act,2017 and the rules/notifications made/issued thereunder:

1.

2.

3.

3. The documents required to be furnished under section 35(5) of the CGST Act/SGST Act and Reconciliation Statement required to be furnished under section 44(2) of the CGST Act/SGST Act is annexed herewith in Form No. GSTR-9C.
4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No. 9C are true and correct subject to the following observations/qualifications, if

(a)

(b)

(c)

** (Signature and Stamp/Seal of the Auditor)

Place:

Name of the signatory:

Membership No.

Date:

Full Address”

FORM NO. 3CA
[See rule 6G(1)(a)]

Audit report under section 44AB of the Income -tax Act, 1961,
in a case where the accounts of the business or profession of person
have been audited under any other law

*I/we report that the statutory audit of M/s.

..... (Name and address of the assessee with
Permanent Account Number) was conducted by *me/us/M/s.

..... in pursuance of the provisions
of theAct, and*I/we annex hereto a copy of

- *my/our/their audit report dated along with a copy of each of :- (a) the audited *profit and loss account/income and expenditure account for the period beginning fromto ending on (b) the audited balance sheet as at,; and (c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

- 2. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.
- 3. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.3 CD are true and correct subject to the following observations/qualifications, if any:

- a.
- B
- C.

.....

**(Signature and stamp/ Seal of the signatory)

Place:.....

Name of the signatory.....

Date:.....

Full address.....

- Notes :

1. * Delete whichever is not applicable
2. This report has to be signed by a person eligible to sign the report as per the provisions of section 44AB of the Income-tax Act, 1961.
3. Where any of the requirements in this Form is answered in the negative or with qualification, give reasons therefor.
4. The person who signs this audit report shall indicate reference of his membership number/certificate of practice/authority under which he is entitled to sign this report.

ACCOUNTS AND RECORDS

- **35. (1) Every registered person shall keep and maintain, at his principal place of business , as mentioned in the certificate of registration, a true and correct account of—**
 - (a) production or manufacture of goods;
 - (b) inward and outward supply of goods or services or both;
 - (c) stock of goods;
 - (d) input tax credit availed;
 - (e) output tax payable and paid; and
 - (f) such other particulars as may be prescribed: (RULE 56)

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- Provided that where more than one place of business is specified in the certificate of registration, **the accounts relating to each place of business shall be kept at such places of business:**

Rule 56: Maintenance of accounts by registered persons.- FOR IMPORT,EXPORT AND RCM SUPPLIES

- **(1) Every registered person shall**
- keep and maintain, in addition to the particulars mentioned in sub-section (1) of section 35, a true and correct account of the **goods or services imported or exported or**
- **of supplies** attracting payment of tax on **reverse charge** along with the relevant documents, including
- invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers,
- payment vouchers and refund vouchers.

- **56(2):** Every registered person, other than a person paying tax under section 10, shall maintain
- **the accounts of stock** in respect of goods received and supplied by him, and
- such accounts shall contain particulars of the **opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock**
- including raw materials, finished goods, scrap and wastage thereof.

- (3) Every registered person shall keep and maintain a separate account of **advances received, paid and adjustments** made thereto.
- (4) Every registered person, other than a person paying tax under section 10, shall keep and
- maintain an account, containing the **details of tax payable** (including tax payable in accordance with the provisions of sub-section (3) and sub-section (4) of section 9),
- tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice,
- credit notes, debit notes, delivery challan issued or received during any tax period.

- (5) Every registered person shall keep the particulars of -
- (a) **names and complete addresses of suppliers** from whom he has received the goods or services chargeable to tax under the Act;
- (b) names and complete addresses of the **persons to whom he has supplied goods or services**, where required under the provisions of this Chapter;
- (c) the **complete address of the premises** where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

FOR AGENTS

- **(11) Every agent** referred to in clause (5) of section 2 shall maintain accounts depicting the,-
- (a) particulars of **authorisation received** by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including **description, value and quantity (wherever applicable) of goods or services received** on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services **supplied on behalf of every principal**;

CONTD.....

- (d) details of **accounts furnished** to every principal; and
- (e) **tax paid on receipts or on supply** of goods or services effected on behalf of every principal.

FOR MANUFACTURER

- (12) Every registered person **manufacturing goods** shall maintain **monthly production**
- **accounts showing quantitative details** of raw materials or services used in the manufacture
- and **quantitative details of the goods so manufactured** including the waste and by products thereof.

SUPPLIER OF SERVICES

- (13) Every registered person **supplying services** shall maintain the accounts showing **quantitative details of goods used** in the provision of services, **details of input services utilised** and the services supplied

FOR WORKS CONTRACTS

- (14) Every registered person **executing works contract** shall keep **separate accounts for works contract** showing -
 - (a) the names and addresses of the persons on whose behalf the works contract is executed;
 - (b) description, value and quantity (wherever applicable) of goods or services **received** for the execution of works contract;
 - (c) description, value and quantity (wherever applicable) of goods or services **utilized** in the execution of works contract; **CONTD.....**

- (d) the details of **payment received in respect of each works contract**; and
- (e) the names and addresses of suppliers from whom he **received goods or services**.

Liability of GST Auditors

- The liability of the GST auditor in respect of GST audit will be the same as in any other audit assignment.
- When any question relating to the audit conducted by GST auditor arises; he is answerable under the Chartered Accountants Act to the Council.
- In all matters concerning GST audit, Institute's disciplinary jurisdiction will prevail.

- In case a **dealer is found guilty** of having concealed his turnover or tax liability, it **would not ipso facto mean** that the **GST auditor is also responsible**.
- If the **Assessing Officer** comes to the conclusion that the GST auditor was **grossly negligent** in the performance of his duties
- He can **refer the matter** to the **Institute** so that appropriate action can be taken against the GST auditor under the Chartered Accountants Act.

The Assessing Officer may call GST Auditor

- **The Assessing Officer** or any other authority who is authorised to issue summons to the registered person and call for evidence or documents,
- **can call the GST auditor** who has audited the accounts to **give any evidence** or produce documents (other than his working papers) **on which he has relied upon** before certifying.

Examination of Books and records by Qualified Assistant

- If the actual work relating to the examination of books and records **is done by a qualified assistant** in a firm of chartered accountants and
- the **partner of the firm signing the audit report** has relied upon his work,
- **action**, if any, for **professional negligence** can be initiated against **the member who has signed the report**
- and in such an **event**, it would be open for the member concerned to prove that he has taken due care and diligence in the performance of his duties
- and is not aware of any reason to believe that he should not have so relied.

Contd.....

- If the **qualified assistant** (whether or not holding the certificate of practice) is found to be **grossly negligent** in the performance of his duties,
- the Institute can **take disciplinary action against the qualified assistant.**

Charging Audit Fee on Percentage Basis

- Under the COE, GST auditor cannot charge professional fees by way of percentage of turnover or percentage of profits.
- In this context, reference is invited to Clause (10) of Part I of the First Schedule to the Chartered Accountants Act and the commentary on the subject at page Nos. 116-117 of the Code of ethics (2003 Reprint of Ninth Edition).
- Certain exceptions are made in Regulation 192, but these exceptions do not apply in respect of charging fees for GST audit.

Recommendations of Auditor – Not Binding

- The opinion expressed including recommendation by the GST auditor is not binding on the dealer.
- If the GST auditor has qualified his report and expressed an opinion on a particular item,
- the registered person may take a different view and may not take steps on the advice given by the GST auditor.

Audit Approach

- There are no prescribed or specified approaches for conduct of an audit under the GST laws.
- Similarities can be drawn between a GST Audit and / or Tax Audit under section 44AB of the Income-tax Act and audit under the Companies Act.
- GST Auditor is not required to express his opinion on truth and fairness of the financials **when it is audited by others.**
- In any case, he is required to **certify the correctness and completeness of certain reconciled data.**
- **The verification** would necessarily have to be **substantially more than in the truth and fairness opinion.**

Reporting the observations in the format prescribed

- The auditor has to submit the findings of the GST audit in GSTR 9C through the issue of Certificate. The certificate and the report has to be dated and signed and should be accompanied by the relevant annexures.
- Since there is no specific format prescribed under GSTR 9C for any comments, observations or qualifications against the respective clauses,
- The auditor could carry out the same under the respective clauses and also by way of additional notes attached by him to the GSTR 9C.

FAQ's

- **Is there a separate audit required to be conducted under CGST/ SGST/ UTGST/IGST Act, when they are already subjected to audit under any other law?**
- Thus, we can draw a conclusion that in a case where audit of financial statements of the entity has been conducted under a statute other than GST Act and by a person other than GST Auditor, the GST Auditor relying on such audit report need not conduct audit of financials once again.

Contd....

- However, in a case where reconciliation statement is drawn by Auditor who has conducted audit of entity, then certificate does not contain any reference to the statute under which audit has been conducted. Para 2 of the certificate in the first case employs the term 'Based on our audit...'. Para 3(b)(A) further employs the term 'we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of audit'.
- Thus, it can be inferred in the first case that if audit is not required under any other statute, audit ought to be conducted under GST Act.

- **Whether supply of alcohol for human consumption should be included in determining the threshold limit of Rs. 2 crores by a person registered under GST?**
- On a combined reading of the charging sections with the definitions of non-taxable supply and exempt supply, it becomes clear that alcoholic liquor for human consumption forms part of exempt turnover. Since aggregate turnover includes exempt turnover, value of alcoholic liquor for human consumption is to be included while computing threshold limit of Rs. 2 crores.

- **Whether the term 'aggregate turnover' includes freight and insurance recovered from buyer to calculate the threshold limit?**
- As per illustration given to definition of composite supply u/s 2(30) of CGST/ SGST Act, freight and insurance paid on supply of goods forms part of a composite supply, the principal supply of which is goods. As per S.8 of CGST/ SGST Act, the principal supply shall be treated as supply for the purpose of GST Act. Therefore, freight and insurance recovered from buyer is to be treated as principal supply and included for the purpose of computing threshold limit of Rs. 2 crores.

- **Whether the term 'aggregate turnover includes stock transfers/ cross charges effected between branches located in two different states?**
- S.2(6) of CGST/ SGST Act defines aggregate turnover to include 'inter-state supplies of person having same PAN'. Thus, stock transfers/ cross charges/ services provided from a branch located in one state to a branch located in another state would be included in aggregate turnover of the branch supplying the goods/ services.

- **Whether the term 'aggregate turnover includes stock transfers effected within the State having same GSTIN for determining the threshold limits?**
- The term 'aggregate turnover' shall not include stock transfers effected within the same State having same GSTIN for the purpose of determining the threshold limit. However, where more than one GSTINs has been taken for branches located in the same state, then such branch transfers shall be included for computing threshold limit of Rs.2 crore for the branch supplying the goods/ services.

- **Whether a Registered Person (for instance compulsory registration under Section 24 (1) (iii) - persons who are required to pay tax under reverse charge) under GST having exclusively exempted supplies of goods or services exceeding Rs. 2 crores are required to file Form GSTR 9C?**
- The definition of 'aggregate turnover' includes even exempted supplies. Therefore, if a person is registered under GST and having only exempted supplies will have to file Form GSTR 9C.

- **Is Form GSTR 9C required to be filed for every registration obtained by a person in different State?**
- S.35(5) of SGST Act, also requires conduct of audit in addition to S35(5) of CGST Act. Thus, audit is required state wise for compliance of S.35(5) of SGST Act. Therefore, a person having registration in Karnataka and Tamil Nadu is required to be audited under KGST Act, 17 and TNGST Act, 17. GSTR 9C is required to be filed as per Rule 80(3) of KGST Rules,2017 and TNGST Rules. Thus, a person having registration in more than one state is required to file GSTR 9C registration wise, in each and every state.

- **Whether Form GSTR 9 and Form GSTR 9C should be filed separately?**
- Section 44(2) of the CGST/ SGST Act 2017 provides a Registered Person to file annual return in FORM GSTR 9 along with copy of reconciliation statement in FORM GSTR 9C. Thus, FORM GSTR 9C has to be filed along with FORM GSTR 9 in case where aggregate turnover exceeds Rs. 2 crores.

- **What are the consequences of non-submission of Form GSTR 9C within the prescribed time limit?**
- On a combined reading of Section 47(2) and Section 44 (2) of the CGST Act and State / Union Territory GST Act a late fee of Rs.200/- per day (Rs. 100 under CGST law + Rs. 100/- under State / Union Territory GST law) can be levied which would be capped to a maximum amount of half percent (0.25% under the CGST Law + 0.25% under the SGST / UTGST Law) of turnover in the State or Union Territory.

- **If a regd. Person obtains GSTR-9C but does not file the same but does not submit – whether penalty leviable ?**
- In a situation where a Registered Person gets GSTR 9C duly certified but fails to furnish both GSTR 9 and GSTR 9C on the common portal, the provisions of late fee cited in clause “a to c” supra would equally apply.

- **Where a part of the records of the dealer have been seized by the GST authorities before the due date for submission of the Form GSTR 9C and the dealer has not been able to get his accounts and file Form GSTR 9C, will the late fee still be applicable?**
- Yes. There is no specific provision for waiver of late fee in the aforesaid scenario. However as per second proviso to S.67(2), the documents or books or things so seized shall be retained by such officer only for so long as may be necessary for their examination and for any inquiry or proceedings under this Act.

- Further as per S.67(3) the documents, books or things which have not been relied upon for the issue of notice under this Act or the rules made there under, shall be returned to such person within a period not exceeding thirty days of the issue of the said notice . More importantly, as per S.67(5), the Registered Person shall be entitled to make copies of the documents, books or things or take extracts there from in the presence of an authorised officer except where making such copies or taking such extracts may, in the opinion of the proper officer, prejudicially affect the investigation. Thus, the photocopies may be relied upon for submission of FORM GSTR 9C in case where books have been seized.

- **Is there any provision of filing the Revised Form GSTR 9C?**
- There is no provision enabling a dealer to file revised Form GSTR 9C. As such, some experts opine that, the Certificate once issued / filed cannot be revised in view of no such revision being permitted to audited reports by a Chartered Accountant. However, there is another view that since there are no specific bar/ restrictions under the GST law to file a revised audit report/ certificate, a revised audit report / certificate can be issued / filed. **CONTD.....**

- Care must be exercised to ensure that the relevant Form GSTR 9C is not taken lightly and filed with inaccurate particulars. Caution is advised in taking such a position unless Government issues any clarification in this regard. While one can appreciate that mistakes apparent which can creep in and therefore warrant a revision, it must be ensured that there is no mala fide at the time of filing this reconciliation statement.

- **What is the difference between the word ‘observation’ and ‘qualification’**
- 1. Observation: The word ‘observation’ has not been defined under the CGST Act or under the Standards of Auditing issued by the ICAI. Therefore, dictionary meaning will have to be taken. As per the Law Lexicon, author P Ramanatha Iyer observation means ‘view’ or ‘remark’.
- 2. Qualification: The word ‘qualification’ has not been defined under the CGST Act. As per SA 705 issued by the ICAI the Auditor shall express a qualified opinion when:

CONTD.....

- The Auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
- (b) The Auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the Auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

*Thank
you*



CA H L MADAN

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