

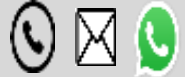


Lawgics

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Section 65 of CGST Act, 2017 read with Rule 101

Section 65: Audit by tax authorities.

Section 65(1)	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.
Section 65(2)	The officers referred to in sub-section (1) may conduct audit at the place of business of the registered person or in their office.
Section 65(3)	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.
<u>Rule 101: Audit</u>	
Rule 101(1)	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.
Rule 101(2)	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.
Section 65(1), 65(2) & 65(3) read with Rule 101(1) & 101(2) Interpretation	<p><u>Intimation of Audit</u></p> <p>As per Section 2(13), Audit means the Examination of records, returns and other documents maintained or furnished by the registered person under this Act or Rules made thereunder, to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliances with the provisions of this Act or the Rules made thereunder.</p> <p>The commissioner or the officer appointed by him has the power to undertake Audit of any registered person by issuing a special or general order for such period as it may deem fit. As per Rule 101(1), the period of audit can be financial year or part of it. Multiple periods can also be audited. Audit can be conducted at Business place of Auditee or even at the office of such officer or commissioner as mentioned in the Audit Notice.</p> <p>Before commencement of proceeding, the officer has to issue notice in ADT-01 at least 15 days prior to commencement of Audit Proceedings.</p>

Section 65(4)	<p>The audit under sub-section (1) shall be completed within a period of three months from the date of commencement of the audit:</p> <p>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.</p> <p>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.</p>
Section 65(4) Interpretation	<p><u>Time Limit for Completion of Audit</u></p> <p>The audit shall be completed within 3 months from the date of commencement of Audit or such extended time. If Audit cannot be completed in time bound manner, then commissioner has the power to extend the time further <u>not exceeding 6 months</u>, with reasons recorded in writing.</p> <p>Commencement date of Audit shall mean, later of the following:</p> <ul style="list-style-type: none"> (i) Date on which the records and other documents required by the tax authority are made available by the registered person, or (ii) Date of the actual execution of the Audit at business place of such registered person.
Section 65(5)	<p>During the course of audit, the authorised officer may require the registered person-</p> <ul style="list-style-type: none"> (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.
Rule 101(3)	<p>The proper officer authorised to conduct audit of the records and the 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 the 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.</p>
Rule 101(4)	<p>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 finalise the findings of the audit after due consideration of the reply furnished.</p>
Section 65(5) read with Rule 101(3) & 101(4) Interpretation	<p><u>Obligation of registered person & scope of audit</u></p> <p>When Audit is being conducted, the registered person shall provide the following to the authorized officer:</p> <ul style="list-style-type: none"> (i) Necessary facility to verify the Books of Accounts (ii) Any other documents as required by the authorized officer

	<p>(iii) Furnish such other information as required by the authorized officer to complete audit in the timely manner</p> <p>Scope of Audit shall be to:</p> <ol style="list-style-type: none"> 1) Verify the documents, returns, statements furnished 2) The Correctness of Turnover, Exemption & deduction claimed 3) The rate of tax, correctly applied or not 4) The ITC availed & claimed 5) Calculation of refund claimed, if any 6) Any other issue <p>Any discrepancies as observed in the audit shall be informed to the registered person by the proper officer and the said person may file his reply and the proper officer shall <u>finalize the findings of the audit</u> after due consideration of the reply furnished.</p>
Section 65(6)	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.
Rule 101(5)	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.
Section 65(6) read with Rule 101(5) Interpretation	<p><u>Communication of Audit Findings</u></p> <p>The proper officer shall inform the registered person about the audit findings & the reasons for such findings, during the course of Audit in ADT-02 within 30 days from conclusion of Audit.</p>
Section 65(7)	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.
Section 65(7) Interpretation	<p><u>Consequence of Audit Observations</u></p> <p>During the Audit, if the proper officer finds that:</p> <ul style="list-style-type: none"> ➤ Tax is collected but not paid, or ➤ Tax is collected but short paid, or ➤ Tax Amount is erroneously refunded to the registered person ➤ ITC is wrongly availed or utilized <p>Then, the officer may initiate action under section 73 or 74 of the Act for the demand and recovery for such amount under default.</p>

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