



The Directorate General of Taxpayer Services, (CBIC)
DGTS-Bangalore Zone

Audit Compliance under GST An Overview

Webinar on 18-01-2024 -03.00 PM

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Disclaimer

- This presentation is prepared for academic discussion purposes only and is not a legally binding opinion. All views stated are personal. They are not binding on the organizers of the event.
- All participants are kindly requested to go through all the related tax law provisions (Law, Rules, Notifications, Circulars.).
- The examples / illustrations mentioned are for the purpose of guidance only. They do not constitute any legal authority.
- The provisions of both the CGST Act and the State /UT GST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such similar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the respective State/UT GST Act.

Topics for the day.

- Assessment in GST Regime
 - Self-Assessment
- Compliance verification by Department
 - Legal provisions
- Audit under GST
 - Legal provisions
 - Procedural aspects
- Areas under Audit scanner
- Audit findings and Adjudication
- Q&A

“An auditor is not bound to be a detective, or, to approach his work with suspicion or with a foregone conclusion that there is something wrong.”

“Auditor is a watchdog, but not a bloodhound.”



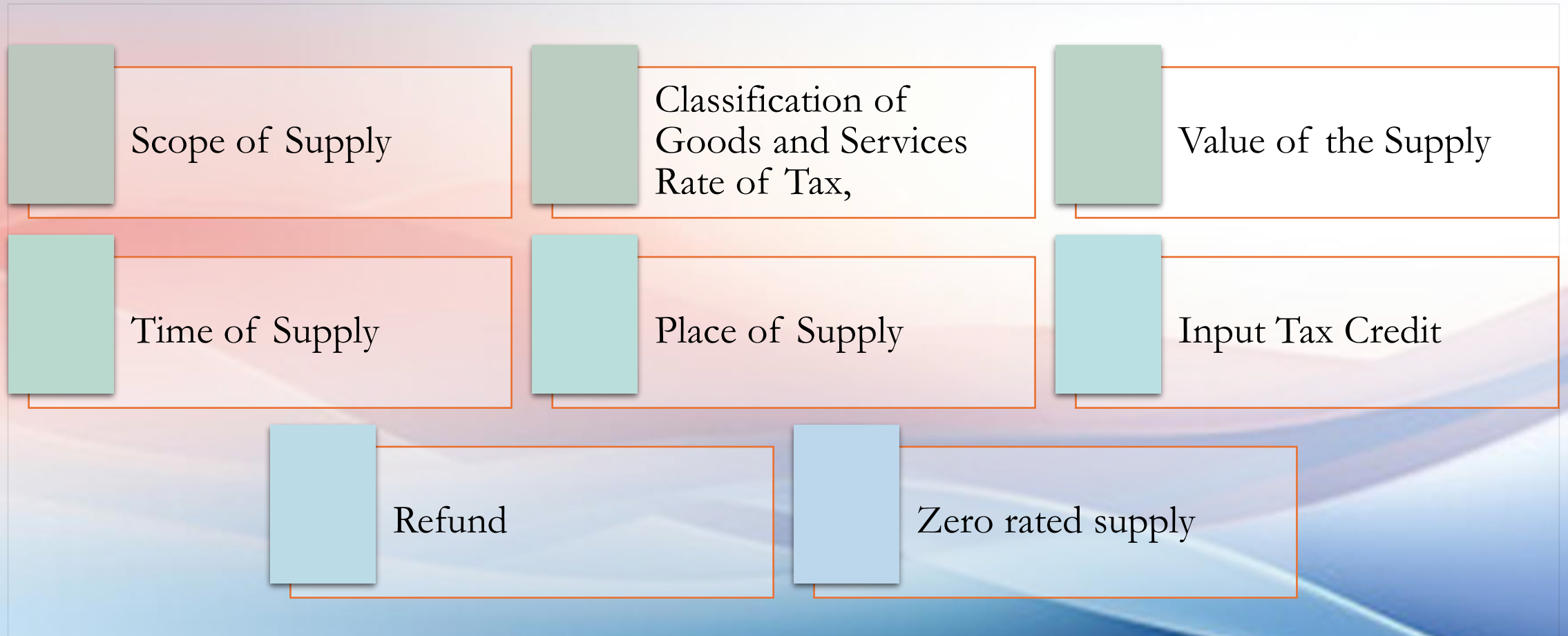
Self Assessment

— 59. Self-assessment

- *Every registered taxable person shall self-assess the taxes payable under this Act and furnish a return for each tax period as specified under Section 39.*

—The GST regime continues to promote the scheme of self-assessment. Hence, every registered person would be required to assess his tax dues in accordance with the provisions of GST Act and report the basis of calculation of tax dues to the tax administrators, by filing periodic tax returns.

Areas for Self-assessment.



Statutory provisions to comply by taxpayers

—Supply

- Section 7, Section 9, Section 13,14& 16 And IGST Act.

—Invoice, debit note and credit note.

- Section 31-34 of CGST Act, read with Rule 46-55.
- E-Invoicing
- Section 31 of GST Act –Rule 48(4) of CGST Rules
- E-way Bill-
- Section. 68 of CGST Act, read with rule 138, 138A, 138B, 138C, 138D

—Accounts and records-

- Section 35-36 of CGST Act, read with Rule 56-58

—Input tax credit

- Section 16-21 of CGST Act, read with Rule 36-45

—Returns and payments-

- Section 37-48 of CGST Act, read with Rule 59-84

—Zero rated supply

- Section 147 of CGST Act and Section 16 of IGST Act)

—Refund

- Section 54 read with Rule 89 to 93

Reporting of Self Assessment.

Section	Rule	Form
Regular Assessee and Casual Taxable Person u/s 39(1)	61	3B
Composition Dealer u/s 39(2)	62	Form GSTR 4
Non-Resident Taxable Person u/s 39(5)	63	Form GSTR 5
OIDARS provided by person located outside India to non-taxable person in India u/s 39(1)	64	Form GSTR 5A
Input Service Distributor	65	Form GSTR 6
Tax Deducted At Source u/s 39(3)	66	Form GSTR 7
Tax Collected At Source u/s 52(4)	67	Form GSTR 8



Compliance verification by Tax Authorities

Monitoring Tax Compliance

- Tax liability of a registered person on supply of goods or services or both under GST Law is computed by himself under self-assessment as provided u/s 59 of the GST Act, 2017.
- The correctness of such self-assessment on the part of the taxpayer needs to be ensured by the Tax Authorities through periodical verification of books of account, returns and other documents maintained and furnished by such person to ensure the correctness of turnovers declared, tax liability, claim of input tax credits in the returns filed and also the payment of taxes by different agencies of the Department.

Statutory provisions

Monitoring Tax Compliance

—Chapter XII: Assessment

- 61. Scrutiny of returns
- 62. Assessment of non-filers of returns
- 63. Assessment of unregistered persons
- 64. Summary assessment in certain special cases

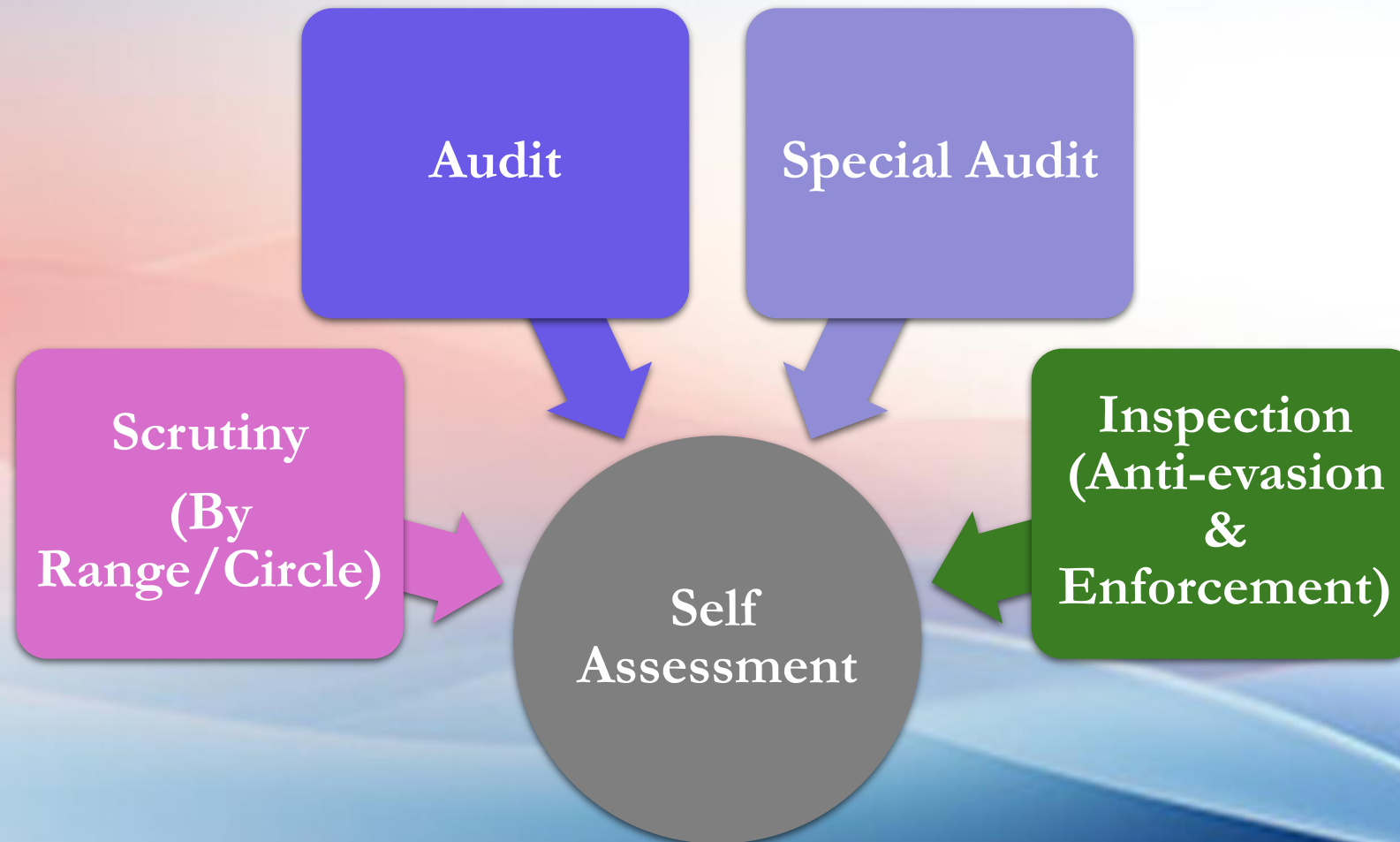
—Chapter XIII: Audit

- 65. Audit by tax authorities
- 66. Special audit

—Chapter XIV: Inspection, Search, Seizure And Arrest

- 67. Power of inspection, search and seizure
- 68. Inspection of goods in movement
- 69. Power to arrest
- 70. Power to summon
- 71. Access to business premises

Agencies for compliance verification



Audit- Statutory provisions.

—CGST Act, 2017

- Section 65:-Audit by tax authorities.
- Section 66 -Special audit
- Section 71. Access to business premises

—GST Rules,2017

- Rule 101. Audit.
- Rule 102. Special Audit.-

—Forms

- ADT-01- Notice for conducting audit
- ADT-02-Audit Report under section 65(6)
- ADT-03- Communication to the registered person for conduct of special audit under section 66
- ADT-04-Information of Findings upon Special Audit

Section 65. Audit by tax authorities

- (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.**
- (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.**
- (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.
- (4) 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.

Section 65. Audit by tax authorities.

- 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.

- (5) During the course of audit, the authorised 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.

- (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.

- (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 71. Access to business premises.

- (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 programs, 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-

Section 71. Access to business premises.

- (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 (18 of 2013);
- (v) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 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.


Rule 101. Audit.

- (1) The period of audit to be conducted under sub-section (1) of section 65 shall be a financial year 1 or part thereof or multiples thereof.
- (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.


Rule 101. Audit.

- (3) 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.
- (4) 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.
- (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.**

Self-Assessment & Audit



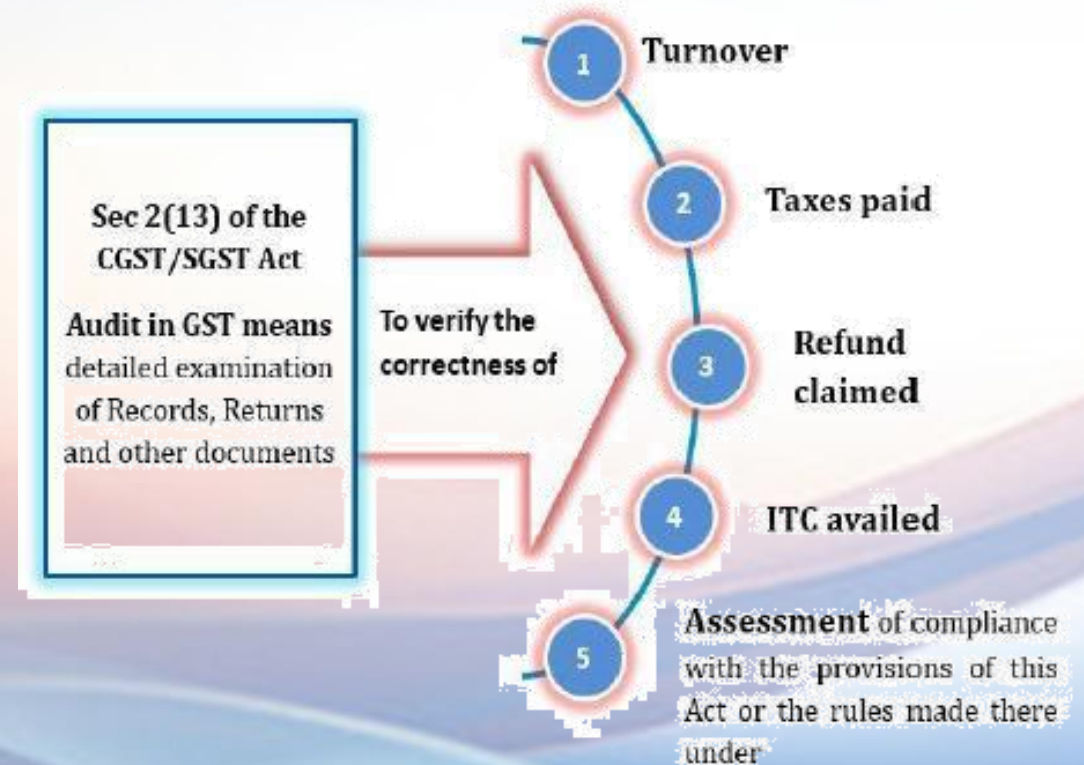
Self-assessment/self-compliance of the taxpayers is the edifice upon which the GST eco-system is built.



Audit is an important compliance verification and constructive taxpayer engagement to improve tax compliance.

Audit.....

- 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 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, and
- to assess his compliance with the provisions of this Act or the rules made thereunder.



Aims and objectives of Audit.

- Audit in GST is intended to evaluate the credibility of self-assessed tax liability of a taxpayer based on the twin test of accuracy of their declarations and the accounts maintained by the taxpayer.
- Audit in GST has 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.

Aims and objectives of Audit.

- Discovering areas of non-compliance to prevent taxpayers from continuing with such deviations from expected compliance behavior 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

Aims and objectives of Audit.

—The basic principles of audit are

- i. Conducting audit in a systematic and comprehensive manner;
- ii. Emphasis on the identified risk areas and scrutinizing the records maintained in the normal course of business;
- iii. Applying audit techniques on the basis of materiality i.e. degree of scrutiny and application of an audit tool depending upon the identified nature of risk factors;
- iv. Proper recording of all checks and findings made during the entire audit;
- v. Identifying the unexplored compliance verification parameters;
- vi. Educating the taxpayer for voluntary compliance.

Salient features of the GST Audit Process.

- (a) Intimation to the Taxpayer regarding the conduct of audit in the form of a letter;
- (b) Reviewing the taxpayer data- the officer reviews the information contained in the data provided by the taxpayer to the department and conducting desk review in the office;
- (c) Preparing the audit plan based on the finding of Desk Review;
- (d) Carrying out audit verification as per the Audit Plan;

Salient features of the Audit Process.

- (e) Conveying the preliminary findings of the audit to the taxpayer and recording his response;
- (f) Preparing the draft audit report for the Monitoring Committee Meeting (MCM) held by the Commissioner. Examining the audit paras in MCM;
- (g) Preparing the final audit report and communicating the final audit report to taxpayer in the FORM GST ADT-02;
- (h) Communicating to the Taxpayer the future course of action in case of contested paras.

Rights and Benefit to the taxpayer in audit.

- The taxpayer should get an intimation at least fifteen days in advance intimating the date of audit. All audit findings are discussed with taxpayer by the auditor.
- Preliminary findings of audit are conveyed to the taxpayer and his views/comments are taken on record.
- The taxpayer is conveyed in writing a choice to make the payment of tax short paid / not paid with waiver of show cause notice.
- The final audit findings are informed to the taxpayer within thirty days along with his rights and obligations and the reasons for such findings.
- The entire audit process is to be completed within a period of three months from the date of commencement. In case the audit cannot be completed, the period can be extended by further six months by the Commissioner of CGST.

Steps of audit under GST

—Audit Selection:

- Registered Taxpayer (RTP) for audit for a financial year or part or multiple thereof is selected by Commissioner / appropriate authority based on targeting parameters /local factors developed in-house.

—Allotment of selected RTP:

- The selected RTPs is distributed to the respective jurisdictional officer.
- Allocation is consistent with audit norms (no. of days to audit a RTP, size of each RTP audit capacity, etc.).

—Issuance of notice for audit:

- A Master File is maintained in respect of each auditee, which is updated before the commencement of audit.
- The audit officer issues issue FORM GST ADT - 01 fixing the date of audit.

—Pre-audit desk review:

- Basic groundwork to chalk out the lines along which a particular audit will progress as well as to identify areas where audit attention should be concentrated for maximum yield.

Steps of audit under GST

—Preparation and approval of audit plan:

- Based on desk review, the audit team should prepare an audit plan and place it before the proper higher authority for approval. Any necessary modification may be done by the higher authority if required.

—Commencement of audit:

- The date on which the records /documents are made available by the registered person or the actual institution of audit at the place of business constitute commencement of audit.

Examination:

- In-depth checking of the records /documents/ books made available by the registered person during audit. —Original copies of documents like invoices, etc. may be called for only if deemed vital for being examined/subjected to scrutiny by the audit team.

Steps of audit under GST

—Communication of discrepancies found:

- The observations made upon audit are communicated to the auditee in writing. The auditee allowed due opportunity for filing his explanation in respect of discrepancies intimated by the department.

—Preparation and approval of Draft Audit Report (DAR):

- Drawing up a DAR containing the observations made in the course of audit after considering explanations & documents provided by the auditee in respect of such discrepancies and approval of the same by the appropriate higher authority. A mechanism like Monitoring Committee Meeting should be established to decide each audit para.

—Preparation of Final Audit Report:

- After approval, a final report is to be drawn up and issued to the auditee.

—Audit consequences:

- i. Closure of audit (in case the observations are admitted by the RTP and the amount short paid as indicated is paid) or
- ii. initiation of demand and recovery proceedings by issuance of show cause notice u/s. 73/74.

Documents to be submitted to Audit

- Records as prepared or maintained by the registered person as per the provisions of GST Act and Rules
- Trial balance or its equivalent;
- Statements of annual financial accounts, duly audited, wherever required;
- Cost audit report, if any, under section 148 of the Companies Act, 2013 (18 of 2013);
- Income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961); and

Documents not required

Documents / Returns	Description of document
GSTR 1	Monthly/quarterly return that summarizes all sales (outward supplies) of a taxpayer
GSTR 3B	Self-declared summary GST return filed every month (quarterly for the QRMP scheme). Taxpayers need to report the summary figures of sales, ITC claimed, and net tax payable in GSTR-3B.
GSTR 4	Return for financial year of registered person who has opted for composition levy
GSTR 7	Monthly return to be furnished by the person liable to deduct TDS
GSTR 8	Monthly return to be filed by e-commerce operators required to collect TCS
GSTR 2A	
Summary of GSTR 3B	Summary of GSTR 3B return
Summary of GSTR	Summary of GSTR 1 return
GSTR 9 and GSTR-9c	



Area under Audit scanner

Areas covered by Audit

- Registration
- Taxability.
- Payment of Tax
- Availment of ITC
- Job Work
- Refund
- Others



Registration

- Registered Person, Factory / Warehouse / Godown, ISD and in respect of Other place of business.
- Additional place of business within the State is incorporated in Registration Certificate.
- Registration taken for an Input Service Distributor.
- Any amendment is required to be made to the Registration Certificate.
- GSTIN is displayed in Name Board viz, Godown /Branches / other places of business

Tax liability.

- Forward Charge
- Zero Rated supply
- Exempted Supply/Non-GST Supply.
- Tax liability on Reverse Charge
- Classifications
- Invoicing documentation
- Maintenance of Books of Accounts

Forward Charge.(Section 9(2))

—Type of Supply

- Taxable Supply
- Zero rated Supply
- Exempted / Nil Rated Supply
- Non-Taxable / Non-GST Supply
- Act of Tolerance Services

—Others

- Supplies on which GST is payable by e-commerce operator
- Supply on which TDS payable by Government and Government Authorities.

Reverse Charge. Section 9(3)

- RCM on purchase from unregistered dealer
- RCM Goods Transport Agency
- RCM on Legal Services
- RCM on Security Services
- RCM on Rent a Cab Services
- RCM on Service provided by Director
- RCM on Services received from Government
- RCM of other specified services

Classification and Rate of GST Goods/Services.

- Classification of Goods as per Customs Tariff Act 1975
- Classification Services-Annexure to Notification No: 11/2017 CTR dated 28-06-2017
- Rate GST
 - Goods- Notification No: 1/2017 CTR dated 28-06-2017
 - Services-Notification No: 11/2017 CTR dated 28-06-2017
- Exemption & Conditional Exemption
 - Goods-2/2017 CTR dated 28-06-2017
 - Services-12/2017 CTR dated 28-06-2017
- Mixed / Composite Supply – Section 8 of CGST Act.

Zero rated Supply (IGST Act 2017)

- Fulfilment of conditions and documentation Zero Rated supply.
- Fulfilment of conditions and documentation of Deemed Export.
- Fulfillment of conditions and documentation of Merchant export.
- Realization of proceeds within the time prescribed under FEMA
- Value of goods or services in case of cross border supplies – Rule 34
- Rate of FC in case of goods – as notified under Section 14 of Customs Act for the date of supply of goods
- Rate of FC in case of services – as per GAAP for the date of supply of services

Value of Supply-Section 15

- Deemed Supply - Depot Transfers / Cross Charge / Vouchers
- Deemed Valuation – Related Party Transactions
- GST liability on receipt of advances
- Valuation – Admissibility of discounts
- Alternate method for deemed valuation under GST – Rule 31A / 32
- Air Travel Agents - linked to Basic fare
- Dealer of buying and selling of second Valuation – Admissibility of discounts hand goods - linked to margin
- Redemption of voucher - linked to money value of good or services redeemed
- Pure Agent – Four Conditions – Rule 33
- Valuation – Valuation Rules in case of non-monetary consideration / related party / agents

Input Tax Credit Section 16 to 18

- Fulfillment of specified conditions - Section 16(2) of CGST Act
- Matching – FORM GSTR-2A / GSTR-2B – Rule 36(4)
- Apportionment of credit on inputs / input services / capital goods – engaged in Taxable and Exempted / Non- GST / Non-Taxable supplies – Section 17 of CGST Act r/w Rule 42 & 43
- Banking company / financial institution – option to avail 50% ITC
- ITC to be reversed if payment towards value of goods / services including GST not made within 180 days from the date of issue of invoice by supplier
- Reversal of ITC in case of receipt of credit notes from the supplier
- Simultaneous availment of Depreciation and ITC – Section 16(3) of CGST Act
- ITC allowed only upto 20th October / 30th November of the following FY
- Blocked Credit – Section 17(5) of CGST Act
- ITC on CSR expenditure
- ITC of Cess
- Restriction on use of amount available in ECL - Rule 86B
- Reversal of ITC in case of non-payment of tax by the supplier and re-availment thereof – Rule 37A r/w Rule 88C

Refund. Section 54 / Rule 89 to 93.

- Eligibility for Refund as per section 54
- Refund is Rejected and action for rejection
- Re-credited to Electronic Credit Ledger
- Manual/Electronic documents for Refund
- Net ITC availed . Wrongly applied like input services/Capital goods credit for inverted duty structure
- Refund and Input Tax credit is claimed for the same transactions

Job work.-Section 143

- Conditions are fulfilled for claiming input tax credit on goods (including capital goods) sent for job work
- Documents for goods sent to the job worker .
- Filing of FORM ITC 04 for the quarters in which goods were sent out for job work.
- Goods directly supplied from the place of business of job worker, whether he has satisfied the conditions laid down in proviso to Section 143 (1) of GST Act
- Disposal of waste/ scrap generated during the job work
- Goods sent for Job work and returned within specified time

Reconciliations

- FORM GSTR-1 and FORM GSTR-3B
- Reconciliation of FORM GSTR-3B and FORM GSTR-2B.
- Reconciliation of E-invoicing and FORM GSTR-1
- E-waybill and GSTR-1
- E-Waybill and GST-2A/2B
- TCS/TDS with GSTR-1
- GSTR-9 with GSTR-1 and FORM GSTR-3B & GSTR-2A/2B
- Reconciliation items between GST Returns & Books of Account
- GSTR-9C

Other areas

- Interest received
- Foreign Exchange fluctuations
- Commission received
- Miscellaneous Income
- Profit from Sale of Fixed Assets
- Sale of scrap
- Discount received
- Inputs - Losses by fire / pilferage
- Finished Goods - Losses by fire / pilferage
- Semi-finished Goods - Losses by fire / pilferage
- Capital Goods - Losses by fire / pilferage
- Loss/ Profit on sale of Fixed Assets
- Value written off in Books of Account

Other areas.

—Examination of

- Directors Report
- Accounting software
- Audited financial statements and audit reports
- Income tax returns including Tax returns
- Return submitted to related regulatory authority like IRDA, IATA, etc.
- Details submitted to Banks
- Third party confirmations
- Amounts deducted from the employees with the payroll statements
- Value of Zero- rated supplies with SOFEX Forms
- Payments in Foreign Exchange with bank statements and CA certificates



Audit Findings -Audit objections

Frequent issues detected during audit.

- Non-payment/ short payment of Tax
- Wrong classification of Goods/Services
- Short/Excess payment of Tax due to improper calculation/ accounting.
- Collecting Tax from the customers but not paying the same to the Government
- Wrong availment of ITC on ineligible document
- Tax not paid on advance in case of services
- Reverse Charge Mechanism liability

Audit Report to Adjudication

- After completion of audit verification, the Audit Officer prepares the verification report for all issues identified in the Audit Plan. This document should record the results of verification conducted as per the audit plan. Any additional issue verified/ point noticed should also be mentioned.
- The Audit Officer discuss each of such issues with the assessee/taxpayer pointing out either nonpayment or procedural infractions. The initial views of assessee/taxpayer must be recorded in the verification document.
- The Audit Officer also appraises the assessee of the provisions relating to applicability of interest and encourage him to take advantage of those provisions in order to avoid disputes and litigation.

Audit process-1



ADT-01



ADT-02



Reply to ADT-01



Payment in DR-03



Audit findings accepted-Closed

Audit process-2

ADT-01

ADT-02

Reply to ADT-01

Audit findings not accepted

DRC-01 Notice under Section 73/74-Adjudication process commences.

Audit Report to Adjudication.

- Where the assessee/taxpayer is in agreement with the short levy/excess claim of ITC, as noticed, the audit officer should explain the benefit available under Section 73(5) or 74(5) of the GST Act, 2017 as the case may be and use persuasion as a measure of recovery of dues along with interest, if any, promptly.
- After the issuance of Audit Report, wherever further action such as issue of Show Cause Notice is required, the Audit Office should prepare the Show Cause Notice and take adjudication process u/s 73/74 and recover the amounts due.

DRAFT OF THE LETTER TO BE WRITTEN BY THE REGISTERED PERSON
UNDER SECTION 73(6) OF THE CGST ACT, 2017,

To,
The Commissioner
GST Audit Commissionerate

Sir,

Subject: *Letter given for waiver of show cause notice in terms of Section 73(5) of the CGST Act, 2017- reg.*

I / We M/s _____, address
_____ falling under the jurisdiction of Range
_____ and Division _____ do hereby state and request

as under:-

a) As per the provisions of Section 73(5) of the CGST Act, 2017, where any GST has not been levied or paid or has been short levied or short paid or erroneously refunded, the person, chargeable with the GST, may pay the amount of such duty before service of notice on him under sub section (1) of Section 73 and inform the GST officer in writing in terms of sub section (5) of section 73, who, on receipt of such information shall not serve any notice in respect of the amount so paid;

b) During the course of verification of our records / returns, by the Audit team from the office of Audit Commissionerate _____, it is observed that there is a short payment / non levy / non - payment of GST / wrong availment of ITC on account of reasons mentioned as per the Annexure enclosed hereto. We have agreed to the points raised during verification / scrutiny and have paid the said amounts of duty and / or reversed the ITC of Rs. _____ vide PMT-06 Challan No. _____ / ITC credit Register Entry No. _____ dated _____. We have also discharged the applicable interest liability.

4. In terms of the provisions of Section 73(6) of the CGST Act, 2017, we request that the demand show cause notice may not be issued to us in this case and no penalty may be imposed on us as the above short levy / short payment / non levy / non-payment / wrong availment of ITC are not intentional on our part.

5. We request that the above issues may be treated as closed with this

Some useful tips for taxpayers.

- Prepare a profile of your organization
 - Goods and Services provided
 - Classification of Goods/Services
 - Rate of Tax and Exemption
 - Type of supply
- Have clear understanding of the provisions of CGST Act and Rules made thereunder
- Make a list of all the legal provisions applicable to your organization..
- Make a list of all the documents necessary for each type of return.
- Keep your books tidy and supporting documents in order.
- Keep an eye on the changes in the tax compliance laws especially those which affect your business

Some useful tips for taxpayers.

—Returns

- For every legal provisions applicable, list out all the necessary forms and returns that you need to file.
- For every legal provisions applicable, mark the due dates of payments of tax and the due date of filing of return.
- Timely file GST Returns.

—Conduct timely reconciliation of records

- Compare e-Way Bills with respect to data in GSTR-1
- Compare GSTR-3B Returns filed, with GSTR-2B and GSTR-1, and ensure that all data matches

—Periodically review the profile.



Viewing Issued Notice, Filing Reply and Taking Subsequent Actions during Audit Process

- FAQs
- Manual

Manual > Viewing Issued Notice, Filing Reply and Taking Subsequent Actions during Audit Process

How can I take action against the notices/reports issued by the Tax Official during the Audit process?

To take action against the notices/reports issued by the Tax Official during the Audit process, perform the following steps:

- [Navigate to Case Details page](#)
- [View Issued Notices](#)
- [View/Add your reply to the Issued Notice](#)
- [Make Payment via Replies Tab to Issued Notices/Reports](#)
- [View Issued Acknowledgement \(GST DRC-04\)](#)
- [View Issued Reports](#)
- [View/Add your reply to Issued Report](#)

Click each hyperlink above to know more.

Online Audit communications

Online Audit information and notices

Dashboard > Services > User Services > Additional Notices and Orders

Notices and Orders

Additional Notices and Orders

Type of Notice/Order	Description	Ref ID	Date of Issuance	Action
AUDIT	Notice for Discrepancy under rule 101(4)	ZD330923040274L	08/09/2023	View
AUDIT	Notice for conducting Audit u/s 65(3) (GST ADT-01)	ZD330423124892K	26/04/2023	View
AUDIT	Notice for conducting Audit u/s 65(3) (GST ADT-01)	ZD3304231092800	24/04/2023	View
AUDIT	Notice for conducting Audit u/s 65(3) (GST ADT-01)	ZD3304230983973	21/04/2023	View
AUDIT	Notice for conducting Audit u/s 65(3) (GST ADT-01)	ZD3304230979823	21/04/2023	View
AUDIT	Notice for conducting Audit u/s 65(3) (GST ADT-01)	ZD330423097966X	21/04/2023	View

NOTICES
REPLIES
PAYMENT DETAILS
ACKNOWLEDGEMENT (GST DRC-04)
REPORT
REQUESTS

Issued Notices					
Notice Reference Number	Notice Type	Notice Issue Date	Issued By	Due Date To Respond	Document
	Audit: SCN and GST DRC-01	27/09/2023		27/10/2023	Download
	Audit: Notice for Discrepancy under rule 101(4)	08/09/2023		14/09/2023	Download
	Notice for conducting Audit u/s 65(3) (GST ADT-01)	26/04/2023		22/05/2023	Download

ADT-01

NOTICE FOR CONDUCTING AUDIT

Whereas it has been decided to undertake audit of your books of account and records for the financial year(s) 2017-2018 to 2017-2018 in accordance with the provisions of section 65. I propose to conduct the said audit at At your place of Business on 22/05/2023.

And whereas you are required to: -

- (i) afford the undersigned the necessary facility to verify the books of account and records or other documents as may be required in this context, and
- (ii) furnish such information as may be required and render assistance for timely completion of the audit.

Financial Year.: 2017-2018-2017-2018

Audit Period : AUG 2017 - MAR 2018

NOTICE FOR SEEKING CLARIFICATION ON THE DISCREPANCIES FOUND DURING AUDIT

A team of officers of Audit has conducted audit of the records, books of account, returns and statements furnished under the Act and the rules made thereunder, 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 utilized, refund claimed, along with other relevant issues. The following discrepancies in respect of the financial year(s) for which audit was conducted have been noticed:

(i) ITC claimed

<i>Amount of Tax Short/ Not Paid</i>	<i>Tax</i>	<i>Interest</i>	<i>Penalty</i>	<i>Fees</i>	<i>Other</i>
<i>IGST</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>CGST</i>	<i>615696</i>	<i>616696</i>	<i>0</i>	<i>0</i>	<i>0</i>

ADT-02

FORM GST ADT - 02

[See rule 101(5)]

Audit Report under section 65(6)

Your books of account and records for the F.Y 2017-2018 to 2017-2018 has been examined and this Audit Report is prepared on the basis of information available / documents furnished by you and the findings are as under:

Short payment of	Integrated tax	Central tax	State /UT tax	Cess
Tax	0	7550153	7550153	0
Interest	0	7551153	7550153	0
Any Other Amount	0	0	0	0

Special Audit- Section 66

- Proceeding must be pending before any officer not below the rank of Assistant Commissioner;
- Nature and complexity of the case and interest of revenue to be considered;
- Opinion : Correct value not declared, or ITC claimed not within normal limits;
- Prior approval of the Commissioner of CGST / SGST;
- Direct registered person to get his records and books of accounts audited [Form GST ADT-03];
- Audit to be done by CA / Cost Accountant nominated by the Commissioner;
- Audit Report is to be submitted within 90 days (can be extended by further 90 days by Assistant Commissioner);
- Opportunity of hearing is to be given to registered person and further action taken by proper officer;

Special Audit- Section 66

- Expenses of audit including remuneration of such CA/Cost Accountant shall be determined and paid by the Commissioner.
- The proper officer may take action under section 73 or 74 if, he detect
 - tax not paid or
 - short paid or
 - erroneously refunded, or
 - input tax credit wrongly availed or utilized

Comptroller and Auditor General of India. (CAG)

- The Act does not have any provision for CAG Audit.
- Section 58 however gives a consultant's role to the CAG in a particular context.
- Under Section 58 :
 - The Government or the authority specified by it shall maintain proper record in relation to Fund (for the welfare of the consumer) and prepare an annual statement of accounts in such form and manner as may be prescribed in consultation with the Comptroller and Auditor-General of India.
- The CAG of India in any case have the power to inspect the accounts of Government or tax authority by virtue of powers vested in it by the CAG Act.

References.

- E-Flyers by Directorate of Taxpayers Service CBIC
 - Audit in GST Regime (Updated upto Nov-2023)
 - GST Audit path to compliance (Updated upto Nov-2023)
- Model All India GST Audit Manual-2023-Prepared by the Committee of Officers on GST Audits-CBIC.
- Karnataka GST Audit Manual-Commercial Tax Department, Karnataka
- <https://icmai.in>
- <https://www.icai.org/>

under Section 148 of the Companies Act, 2013; the income-tax audit report, if any, under Section 44AB of the Income-Tax Act, 1961; and any other relevant record.

- (d) Rule 101 of the CGST Rules, 2017 prescribes the process and also the forms for notifying the registered taxpayer about the dates for conducting the Audit in the FORM GST ADT-01 and for informing the findings of audit to the registered person in the FORM GST ADT-02.

Salient features of the Audit Process adopted by the department are:

- (a) Intimation to the Taxpayer regarding the conduct of audit in the form of a letter;
- (b) Reviewing the taxpayer data- the officer reviews the information contained in the data provided by the taxpayer to the department and conducting desk review in the office;
- (c) Preparing the audit plan based on the finding of Desk Review;
- (d) Carrying out audit verification as per the Audit Plan;
- (e) Conveying the preliminary findings of the audit to the taxpayer and recording his response;

- (f) Preparing the draft audit report for the Monitoring Committee Meeting (MCM) held by the Commissioner. Examining the audit paras in MCM;
- (g) Preparing the final audit report and communicating the final audit report to taxpayer in the FORM GST ADT-02;
- (h) Communicating to the Taxpayer the future course of action in case of contested paras.

Thus, GST audit is not only for reconciliation of tax liability and payment thereof but it also encompasses the verification of compliance with the provisions of the GST laws by a registered person and educating the taxpayer to be more compliant with the law and procedure.



GST Audit In GST Regime



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AUDIT IN GST REGIME

(Updated as on November 2023)



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- Stock of Goods
- Transportation of Goods
- Other documents as may be prescribed

Q6. What is the indicative list of documents, other than as available on GSTN, required to be furnished by the taxpayer?

The Taxpayer will be required to furnish:

- Copies of Balance Sheet, Profit & Loss Accounts with all complete schedules
- Annual returns submitted to the Registrar of Companies
- Income Tax Returns along with the Annexures and Income Tax audit report, if any, under Section 44AB of the Income-tax Act, 1961
- Directors/Auditors Report
- Cost audit report, if any, under Section 148 of the Companies Act, 2013
- Form 26 AS
- Details of Anti-Evasion/ Preventive/ DGGSTI cases booked, if any and copy of SCN issued thereof
- Copy of VAT annual return
- List of major input supplies with specific mention of HSN Code and applicable rate of GST

The taxable person will be also required to provide necessary facility and give information /assistance for timely completion of audit.

Q7. What is the purpose of Audit under GST?

To verify the correctness of –

- Turnover declared
- Taxes assessed & paid
- Refund claimed
- Input Tax Credit availed, and
- To assess compliance with the provisions of the GST Acts or the rules made thereunder

Q8. What are the frequent issues detected during audit?

- Non-payment/ short payment of Tax
- Wrong classification of Goods/Services
- Short/Excess payment of Tax due to improper calculation/ accounting
- Collecting Tax from the customers but not paying the same to the Government
- Wrong availment of ITC on ineligible document
- Tax not paid on advance in case of services
- Reverse Charge Mechanism liability



Q9. Some useful tips for taxpayers

- Conduct timely reconciliation of records
- Compare e-Way Bills with respect to data in GSTR-1
- Compare GSTR-3B Returns filed, with GSTR-2B and GSTR-1, and ensure that all data matches
- To have clear understanding of the provisions of CGST Act and Rules made thereunder
- Timely filing of GSTR-9/9C return (whichever is applicable)

Q10. What are the Audit findings?

On conclusion of an Audit, the officer will inform the taxable person within 30 days:

- Findings in FORM ADT-02
- Reason thereof

If the audit results in the detection of unpaid/short paid tax or wrong refund or wrong Input tax credit availed, and the amount indicated by the auditor is not paid by the taxpayers, then demand and recovery actions will be initiated as per law.

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GST AUDIT PATH TO COMPLIANCE

(Updated as on November 2023)



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Thank you!



Feed back and suggestions.

B.Venkateswaran I.R.S.,

Asst., Commissioner CGST (Retired), Coimbatore

E-mail: beevenkateswaran@gmail.com; WhatsApp:9442012335-

Mobile:8500885294.