

GST – Important issues in GST Audit and filing of Form No GSTR-9C



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at
B. K. Birla College, Kalyan



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Legal Provisions – GST Audit

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Section 35 & 44 – CGST Act, 2017

35(5) of the Central Goods and Services Tax Act, 2017	44(2) of the Central Goods and Services Tax Act, 2017
<p><u>Every registered person</u> whose <u>turnover</u> during a <u>financial year</u> exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and <u>shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44</u> and such other documents in such form and manner as may be prescribed</p>	<p>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, <u>the annual return</u> under sub-section (1) along with a <u>copy of the audited annual accounts</u> and a <u>reconciliation statement</u>, 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.</p>

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Rule 80 – CGST Rules, 2017

Rule	Provision
<p>Rule 80 of CGST Rules, 2017</p>	<p>Every registered person whose <u>aggregate turnover</u> during a <u>financial year</u> exceeds <u>two crore rupees</u> shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of <u>audited annual accounts</u> and a <u>reconciliation statement, duly certified, in FORM GSTR-9C</u>, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner</p>

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Certain Issues – Turnover Vs Aggregate Turnover

Turnover in State	Aggregate Turnover
“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;	“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;

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Examples on Turnover

- **An Assessee having one registration in State of Maharashtra and having turnover of Rs. 2.5 crore and other registration in State of Gujarat and having turnover of Rs. 0.50 crore, then applicability of GST Audit:**
 - Both GSTIN
 - Only Maharashtra
- **Since GST is made applicable from 01st July 2017, How should the turnover be calculated?**
 - Entire Financial Year
 - From 01st July 2017

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Scope of Audit

- “**Audit**” as defined under section 2(13) of CGST to mean the examination of **records, returns and other documents maintained or furnished** by the registered person under this Act or the 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 there

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Chapter XIII – CGST Act

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.

Section 66 – Special Audit

(1) If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a chartered accountant or a cost accountant as may be nominated by the Commissioner

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Certain Issues

- Is there any provision of filing the revised FORM GSTR-9C?
 - No, There is no provision for Revising of Form GSTR – 9C
- Whether GST Audit is applicable to non-filers or Unregistered Persons who are required to get registered?
 - Non – Filers (GST Audit shall be applicable if turnover exceeds the limit). However, instruction issues that all returns to be filed before filing of GSTR – 9 & 9C
 - Unregistered Persons (Not liable for GST Audit)

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Time limit to file FORM GSTR-9C?

- Section 44(2) requires reconciliation statement in FORM GSTR-9C along with annual return in FORM GSTR-9.
- As per section 44(1), the due date to file annual return is on or before the thirty-first day of December following the end of such financial year for which annual return is being prepared.
- The same has been extended now up to 30th June 2019 for F.Y. 2017-18 (vide Order No.03/2018–Central Tax dated 31st December, 2018).

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Consequences of Non-Filing / Late Filing of Form 9C

- Section 44(2) requires reconciliation statement in FORM GSTR-9C along with annual return in FORM GSTR-9.
- Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day (each under CGST Act and under SGST Act) for delay in furnishing annual return in FORM GSTR-9, subject to a maximum amount of quarter percent (0.25%) of the turnover in the State or Union Territory.
- In a situation where a registered person files only FORM GSTR-9, but fails to file FORM GSTR-9C, the filing of FORM GSTR-9 may be considered to have been defaulted

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Form GSTR – 9C

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Structure of Form 9C

- PART A – Form 9C
 - Reconciliation of Turnover Declared in Audited Annual Financial Statement vis-à-vis Turnover declared in Annual Return
 - Reconciliation of Tax Paid
 - Reconciliation of Input Tax Credit
 - Auditors Recommendation on Additional Liability due to non-reconciliation

- PART B – Certification
 - Part B (i) - In case where 9C is done by same person conducting audit
 - Part B (ii) – In case where 9C is done by person other than conducting audit

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PART B – Certification

In case 9C is done by same person conducting audit	In case 9C is done by person other than the one conducting audit
1) Examination of Books of Accounts	1) Reporting that the Audit has been conducted by _____.
2) Maintenance of Books of Accounts, Records and documents as required under GST	2) Maintenance of Books of Accounts, Records and documents as required under GST
3) Any Observation / discrepancies / comments	3) Any Observation / discrepancies / comments
4) All information and explanation has been provided and books of accounts are in agreement with Financial Statements	

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Accounts and Records

Section 35 of CGST Act, 2017	Rule 56 of CGST Rules, 2017
Every registered person shall keep and maintain,— (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 :	Every registered person shall keep and maintain – (a) goods or services imported or exported (b) supplies attracting payment of tax on reverse charge (c) Stock of goods including quantitative details (d) Advances and adjustment thereof (e) Input Tax Credit and its details thereof (f) All types of Registers including documentation such as invoices, debit notes, credit notes, receipt vouchers and refund vouchers

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Clause wise analysis of PART – A

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PART A – Point I (Basic Details)

Pt I	Basic Details	Details to be provided
1	Financial Year	
2	GSTIN	
3A	Legal Name	
3B	Trade Name (If any)	
4	Are you liable to audit under any Act?	

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
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)	<p>The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons/entities with presence over multiple States. Such persons/entities, will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons/entities having presence over multiple States</p> <p>Issues in Construction Industry : Revenue is recognized based on AS 7</p>

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5B	Unbilled revenue at the beginning of Financial Year	<p>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.</p> <p>(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).</p> <p>Since GST was introduced from 01.07.2017, this would still be considered for April 2017</p>

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues										
5C	Unadjusted advances at the end of the Financial Year	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										
	Revenue Recognition Vs Unadjusted Advances	<table border="1" style="width: 100%;"> <tbody> <tr> <td style="text-align: center;">Advance in respect of taxable services</td> <td style="text-align: center;">Include here</td> </tr> <tr> <td style="text-align: center;">Advance in respect of exempted service</td> <td style="text-align: center;">Include here</td> </tr> <tr> <td style="text-align: center;">Advance in respect of goods before 15th November 2017</td> <td style="text-align: center;">Include here</td> </tr> <tr> <td style="text-align: center;">Advance in respect of goods after 15th November 2017</td> <td style="text-align: center;">Not to include</td> </tr> <tr> <td style="text-align: center;">Advance received but unidentifiable</td> <td style="text-align: center;">???</td> </tr> </tbody> </table>	Advance in respect of taxable services	Include here	Advance in respect of exempted service	Include here	Advance in respect of goods before 15 th November 2017	Include here	Advance in respect of goods after 15 th November 2017	Not to include	Advance received but unidentifiable	???
Advance in respect of taxable services	Include here											
Advance in respect of exempted service	Include here											
Advance in respect of goods before 15 th November 2017	Include here											
Advance in respect of goods after 15 th November 2017	Not to include											
Advance received but unidentifiable	???											

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5D	Deemed Supply under Schedule I	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.
5E	Credit Notes issued after the end of the financial year but reflected in the annual return (-)	Aggregate value of credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here
5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5G	Turnover from April 2017 to June 2017	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here
5H	Unbilled revenue at the end of Financial Year	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.
5I	Unadjusted Advances at the beginning of the Financial Year	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here
5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST (+)	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

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5K	Adjustments on account of supply of goods by SEZ units to DTA Units	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.
5L	Turnover for the period under composition scheme	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
5M	Adjustments in turnover under section 15 and rules thereunder	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act, 2017 and rules thereunder. 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

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
5N	Adjustments in turnover due to foreign exchange fluctuations	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
5O	Adjustments in turnover due to reasons not listed above	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 Issues in Other Income like Rent, Commission etc
5P, 5Q and 5R		Identification of difference between Adjusted turnover as per above and turnover as per Annual Return
6		Reasons/Justification of such unreconciled difference

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PART A – Point II (Reconciliation of Turnover)

Pt II	Particulars	Instruction and Issues
7A	Annual turnover after adjustments (from 5P above)	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover	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
7C	Zero rated supplies without payment of tax	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	Supplies on which tax is to be paid by the recipient on reverse charge basis	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any
	7E, 7F and 7G	Identification of difference between Adjusted turnover as per above and turnover as per Annual Return
	8	Reasons/Justification of such unreconciled difference

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PART A – Point III (Reconciliation of Tax Paid)

Pt III	Particulars	Instruction and Issues
9	Rate wise break up of taxable turnover (including liability of RCM)	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled "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
	10	Identification of difference between tax paid as per point 9 above and tax paid as per Annual Return. Reasons/Justification of such unreconciled difference
	11	Additional amount payable in respect of differences in turnover/tax paid

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PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
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)	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.
12B	ITC booked in earlier Financial Years claimed in current Financial Year	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.

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PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here
	12D, 12E & 12F	Identification of difference between ITC as per point 12 above and ITC as per Annual Return
13		Reasons/Justification of such unreconciled difference

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PART A – Point IV (Reconciliation of ITC)

Pt IV	Particulars	Instruction and Issues
14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account	<p>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</p> <p><u>Rows shall be added to add “Head of Expenditure”</u></p>
15		Reasons / Justification for Unreconciled difference in ITC
16		Additional amount payable in respect of differences in Input Tax Credit

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PART A – Point V (Auditor Recommendation)

Pt V	Particulars	Instruction and Issues
	Any liability arising on account of difference in turnover/tax paid/ Input Tax Credit will be recommended by the Auditor.	<p>Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.</p>
<p>The taxpayers shall be given an option to pay any additional liability declared in this form, through FORM DRC-03. Taxpayers shall select “Reconciliation Statement” in the drop down provided in FORM DRC-03. It may be noted that such liability shall be paid through electronic cash ledger only</p>		

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Thank You 😊

Email : keval@consultingedge.in
Mob: 98674 62965/88506 67258
204, Avior Corporate Park,
Opp. Johnson & Johnson Ltd.,
Mulund West, Mumbai 400 080.
Office Contact: 022-25656259/60/61



Q & A

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