

---

# ***Analysis of GST Audit Report in Form GSTR– 9C; Duties and Responsibility of GST Auditors***

***CAParind Mehta***

***6 October 2018***



**1** Relevant Provisions under GST for Audit

**2** Overview of GSTR-9C

**3** Part B: Certification

**4** Part A: Reconciliation Statement

**5** Points to be considered

## Relevant Provisions under GST for Audit

### S.35: Accounts and other records

*“(5) Every registered person whose turnover during a financial year exceeds the prescribed limit 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 and such other documents in such form and manner as maybe prescribed.*

### S.44: Annual Return

*“(2) 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 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”.*

- **Annual Return in GSTR 9;**
- **Copy of Audited Annual Accounts; and**
- **Reconciliation Statement in GSTR9C, reconciling the value of supplies declared in the annual return with audited annual financial statement**

### CGST Act, 2017

- **S. 35 Accounts and other Records:**
- “(5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited....”

### CGST Rules, 2017

- **R.80 Annual Return**
- (3) Every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited....”



Aggregate  
Turnover

## Form GSTR-9C: Overview

## Part A: Reconciliation Statement

Reconciliation of  
Gross Turnover and  
Taxable Turnover

Reconciliation of  
Tax paid

Reconciliation of  
Input Tax Credit

Auditor's  
Recommendation  
on additional  
liability due to Non-  
reconciliation

## Part B: Certification

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

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

## Part B: Certification



## I. Certification by Person who has conducted the audit

**Examination of  
Balance Sheet, P&L  
and Cash flow  
statement**

**Certify that books  
of accounts,  
records and  
documents as  
required under GST  
laws are  
maintained**

**- Report comments  
/ observations /  
discrepancies**

**Confirm that  
proper books of  
account have been  
maintained and  
certify the Balance  
Sheet, P&L and  
Cash flow  
statement**

**- From an  
accounting  
perspective**

**Certify that the  
Particulars in Form  
GSTR– 9C are “True  
and Correct”**

**- Subject to  
observations /  
qualifications**

## **I. Certification by Person other than the person who has conducted the audit**

**Report on the audit conducted by another person and annex the Balance Sheet, P&L and Cash flow statement**

**Certify that books of accounts, records and documents as required under GST laws are maintained**

**- Report comments / observations / discrepancies**

**Certify that the Particulars in Form GSTR– 9C are “True and Correct”**

**- Subject to observations / qualifications**

## Part A: Reconciliation Statement

Reconciliation between

Audited Annual Financial Statement

Annual Return GSTR 9



### Reporting Tables in the Form GSTR-9C:

SNo.	Reconciliation of	Types of reconciliations	Table Reference
a	Turnover	- Gross Turnover	5, 6, 11
		- Taxable Turnover	7, 8, 11
b	Tax paid	- Rate-wise liability and amount payable thereon - Includes tax discharged on reverse charge basis	9, 10, 11
c	Input Tax Credit (ITC)	- Net ITC after reversals	12, 13, 16
		- Expense wise ITC availed	14, 15, 16
d	Recommendation of the Auditor on differential liability		

### Points to be considered while preparing the reconciliations:

S. No.	Particulars of Table 5	Remarks/ Observations
5A	<p>Turnover (including exports) as per audited financial statements <b>for the State / UT</b></p> <p>(For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)</p>	<ul style="list-style-type: none"> <li>To internally derive the GSTIN wise turnover in case of presence in multiple states <ul style="list-style-type: none"> <li>✓ State Level GL or Trial balance</li> <li>✓ Auditor to satisfy on method adopted to determine State wise turnover</li> </ul> </li> <li>Question on how to arrive at the Turnover – <ul style="list-style-type: none"> <li>✓ Operating Income?</li> <li>✓ Turnover not forming part of operating income (Eg Capex, Scrap sales, forfeitures, recoveries, etc.)</li> </ul> </li> <li>Different Accounting principles for revenue recognition (Eg Construction sector, leasing, Commission Agent, etc.)</li> </ul>

## Points to be considered while preparing the reconciliations:

Sr. no.	Particulars of Table 5	Remarks/ Observations
<b>5B</b>	Unbilled revenue at the beginning of Financial Year	<ul style="list-style-type: none"> <li>Revenue billed during the year on which GST was levied</li> <li>Beginning of Financial year April 2017 or on July 2017?</li> </ul>
<b>5D</b>	Deemed Supply under Schedule I	<ul style="list-style-type: none"> <li>Stock transfers</li> <li>Cross charge of expenses</li> <li>Employee recoveries</li> </ul> <p><i>These transactions may not be recorded in the Financials</i></p>
<b>5F</b>	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	<ul style="list-style-type: none"> <li>Post sale discounts not eligible as per Sec. 15(3) to be added to turnover</li> </ul>
<b>5H</b>	Unbilled revenue at the end of the Financial Year	<ul style="list-style-type: none"> <li>Unbilled Revenue on which GST was not payable during the year</li> </ul>

## Points to be considered while preparing the reconciliations:

Sr. No.	Particulars of Table 5	Remarks/ Observations
<b>5J</b>	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	<ul style="list-style-type: none"> <li>Commercial credit notes</li> <li>Credit notes not admissible as per Sec.34</li> </ul>
<b>5M</b>	Adjustments in turnover under section 15 and rules thereunder	<ul style="list-style-type: none"> <li>Other charges, Freight, installation, etc.</li> <li>Related party transactions, to be valued at OMV for GST</li> </ul>
<b>5N</b>	Adjustments in turnover due to foreign exchange fluctuations	<ul style="list-style-type: none"> <li>Forex gain/loss in Financials, no effect in GST turnover</li> </ul>
<b>5O</b>	Adjustments in turnover due to reasons not listed above	<ul style="list-style-type: none"> <li>Any other adjustments to the turnover</li> </ul>

Table 9

Output tax liability

Liability under RCM

Un-reconciled amount

Table 10

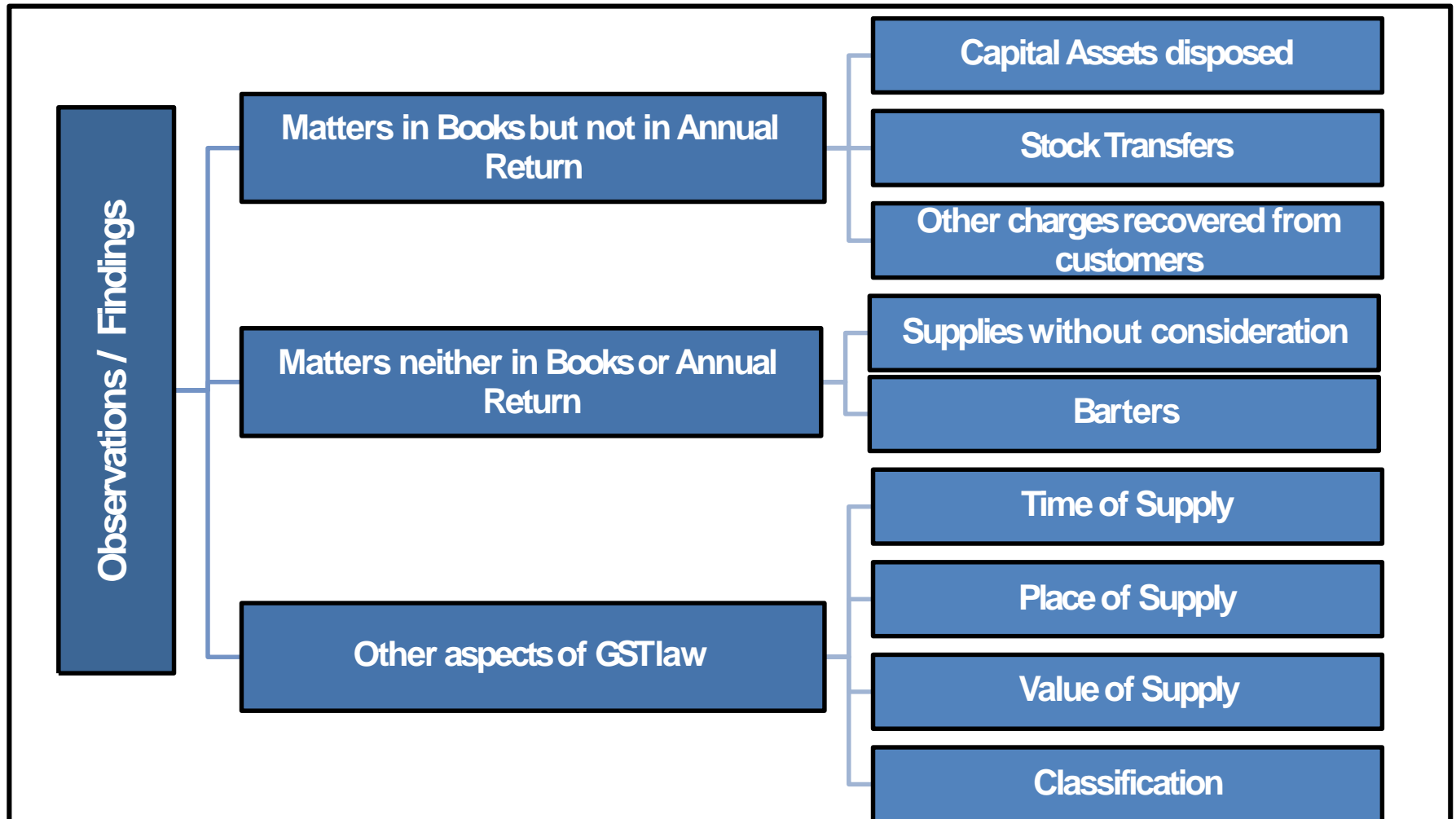
Reasons for un-reconciled amount

Table 11

Differential tax liability

Rate-wise bifurcation





## Points to be considered while preparing the reconciliations:

Sr. no.	Particulars of Table 12 & 14	Remarks/ Observations
<b>12A</b>	ITCavailed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PANthis should be derived from books of accounts)	<ul style="list-style-type: none"> <li>• ITCledger as per books of accounts</li> <li>• Net of all reversals <ul style="list-style-type: none"> <li>✓ Sec. 17(5)</li> <li>✓ Non payment within 180 days</li> <li>✓ Rule 42/ 43</li> <li>✓ Any other reversals</li> </ul> </li> </ul>
<b>12E</b>	ITCclaimed in Annual Return	<ul style="list-style-type: none"> <li>• The ITCas declared in Table 7Jof Annual Return to be reported[ITCavailed (-) Reversals]</li> </ul>
<b>14 A-Q</b>	ITCavailed expense wise	<ul style="list-style-type: none"> <li>• Micro level data - All expense heads on which GSThas been paid</li> <li>• Indicative list has expense of salary , wages, bonus etc. –?</li> <li>• Gross as well as net of reversals to be reported– may be a <b>challenge</b></li> </ul>
<b>14S</b>	ITCclaimed in Annual Return	<ul style="list-style-type: none"> <li>• Same as Table 12E, ITCas per Table 7Jof Annual Return to be reported</li> </ul>

Thank You