



Latest Developments including Audit under GST

MAY 2018

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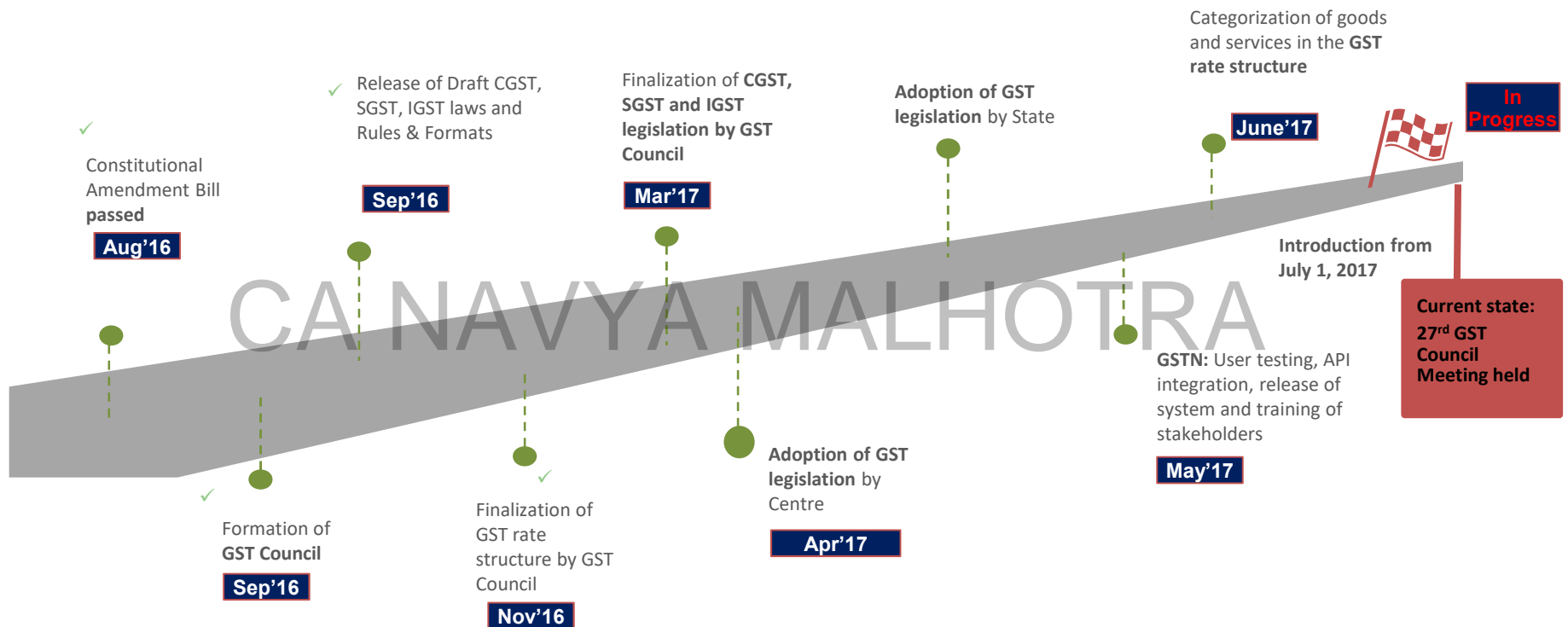
[B.Com(H), M. Com, ACA, DISA
Certified GST Member- The I.C.A.I.]



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GST- STORY SO FAR...



Important Updates: AAR

- Non-availability of carry forward of credit with respect to KKC (AAR- MAHARASHTRA)
 - Recovery of food expenses from employees for canteen services provided by company falls under definition of 'outward supply' and therefore, taxable as supply of service under GST (AAR-KERALA)
 - There is no IGST liability on sale of goods procured from China and supplied directly to USA (AAR-KERALA)
 - Surrender of tenancy rights against consideration liable to GST
 - GST to be levied on supply of goods by 'Duty free shops' at international airports: AAR
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Important Updates: AAR

- Cleaning and housekeeping services provided to railways aren't exempt from GST: AAR
 - Liquidated damages classifiable as 'Other Services'; taxable at rate of 18% GST: AAR
 - E-way bill for intra-State supplies applicable from May 20, 2018 in Rajasthan
 - Govt. waives off late fees for taxpayers who were unable to file GSTR-3B due to technical issues of TRAN-1 filing
 - Interest charged by Del Credere agent on short term loan exempt from GST:AAR
 - Mere non- mentioning of vehicle no. in e-way bill couldn't be reason for seizure of goods: HC
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Important Updates

Nationwide E-way Bill system
will be ready to be rolled

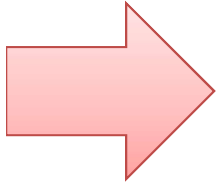
Intra- State
movement of
Goods

Upto 1st JUNE
2018 (Phased
Manner)

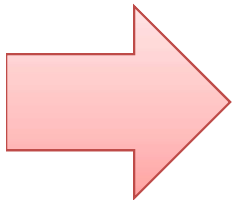
Inter- State
movement of
Goods

1st April 2018

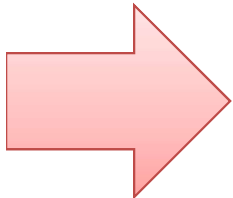
Intra State Roll Out in the phase manner



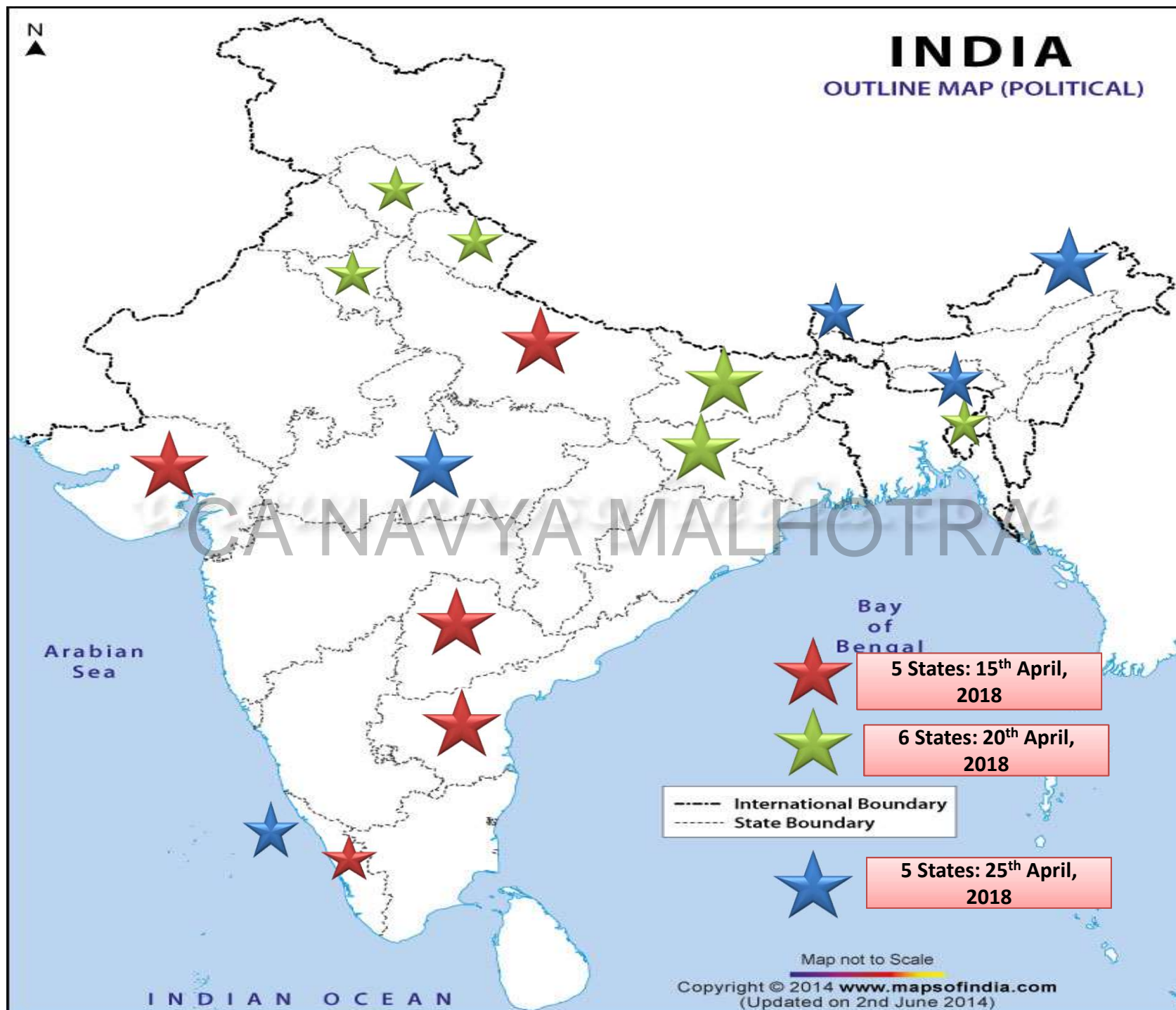
E-way bill operations are compulsory for intra-state movement of goods for Andhra Pradesh, Gujarat , Kerala, Telangana and Uttar Pradesh from 15th April, 2018



E-way bill compulsory for intra-state movement of goods for Bihar, Haryana, Himachal Pradesh, Jharkhand , Tripura and Uttarakhand from 20th April, 2018



E-way bill compulsory for intra-state movement of goods for Arunachal Pradesh, Madhya Pradesh, Meghalaya, Puducherry and Sikkim from 25th April, 2018



Important Updates

- Only GSTR -1 & GSTR- 3B up to 30th June 2018
 - LUT made online
 - Advance Ruling made online
 - The liability to pay tax on reverse charge basis & TDS/TCS Provisions has been deferred till 30.06.2018
 - E Way Bill roll out PAN India Basis for inter state movement of goods w.e.f. 01st April, 2018.
 - Maharashtra E Way Bill rollout deferred till 30th May 2018.
 - Relaxation in Timelines for submission of GST forms
 - Inter State Supply of Service exempt from Registration up to ₹20 lacs
 - Relief to small business for compliances
 - Restaurant Service to pay 5% with no ITC
 - Change in Composition Scheme Limit
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Important Updates

- To enhance the exemption limit of Rs 5000/- per month per member to Rs 7500/- in respect of services provided by Resident Welfare Association (unincorporated or nonprofit entity) to its members against their individual contribution.
 - Increase threshold limit for exemption under entry No. 80, for all the theatrical performances like Music, Dance, Drama, Orchestra, Folk or Classical Arts and all other such activities in any Indian language in theatre GST from Rs.250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium.
 - To tax renting of immovable property by government or local authority to a registered person under reverse Charge while renting of immovable property by government or local authority to un-registered person shall continue under forward charge
 - To clarify that exemption of Rs 1000/- per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.
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Important Updates

- To extend the concessional rate of GST of 12% (effective rate of 8% after deducting one third of the amount charged for the house, flat etc. towards the cost of land or undivided share of land, as the case may be) in housing sector to construction of houses constructed/ acquired under the Credit Linked Subsidy Scheme
 - The maximum annual income for eligibility of beneficiaries under the scheme can be upto 18 lakhs.
 - To exempt supply of services by way of providing information under RTI Act, 2005 from GST
 - To levy GST on the small housekeeping service providers, notified under section 9 (5) of GST Act, who provide housekeeping service through ECO, @ 5% without ITC.
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Important Updates

Extension of tax exemptions for exporters for six months

(a) Defer the implementation of the e-Wallet scheme by 6 months i.e., up to 01.10.2018; and

(b) Extend the present dispensation in terms of exemptions etc. which is available up to 31.03.2018, for a further 6 months i.e., up to 01.10.2018.

For months from July 2017 to April 2018 is **31st May 2018.**

Due date of TRAN-2 extended to **30th June 2018.**

Year end Closing: GST related issue and Audit perspective

Here is the list of few tasks that should be performed as year-end closing activity so that the uncertainty of the future GST litigation liability can be minimized:

1. Extract the consolidated trial balance and state wise (if the software does not permit the state wise trial balance then it may create the problem for the GST angle).
2. Extract the following registers for the GST and reconcile the same as per the following: Electronic Cash Ledger - Reconcile with GST cash account with the books of accounts (for each component i.e. CGST, SGST and IGST). Electronic Credit Ledger - Reconcile with GST Credit ledger (for each component i.e. CGST, SGST and IGST). Electronic Liability Ledger - Reconcile with GST Credit ledger (for each component i.e. CGST, SGST and IGST).
3. Reconcile the state wise sale with the form GSTR-1
4. Divide all the state wise expenses as per the following: Expenses of which GST credit is taken. Expenses on which GST paid under reverse charge. Expenses on which other indirect taxes are levied (i.e. Service tax, Vat etc) Expenses with Zero rated GST levied. Expenses on which GST not applicable (Non-taxable purchases)

- 5 Ensure that Bill of Invoice, Revised Invoice, Tax Invoice, Debit Note, Credit note, Receipt voucher, Refund Voucher and Payment Voucher issued as per the requirement.**
- 6. Make sure invoice issued with proper CGST, SGST or IGST levied on it, in case invoices issued under different tax component then the correction must be done by showing the amount as refundable and payable.**
- 7. Prepare the list of invoices on which credit not reflecting in the online form GSTR2A.**
- 8 Check if invoice details in the form GSTR-2A are matching with the actual invoice, if there is any variation get the actual invoice matching with the details in the form GSTR-2A.**
- 9 Reconcile the sale with the Trial balance, GSTR-1 and GSTR-3B state wise and consolidated**
- 10. Reconcile the export share with the LOU filed with the department.**



Examined

GST AUDIT

Business

Verification

Inspection

Assessment



Finance

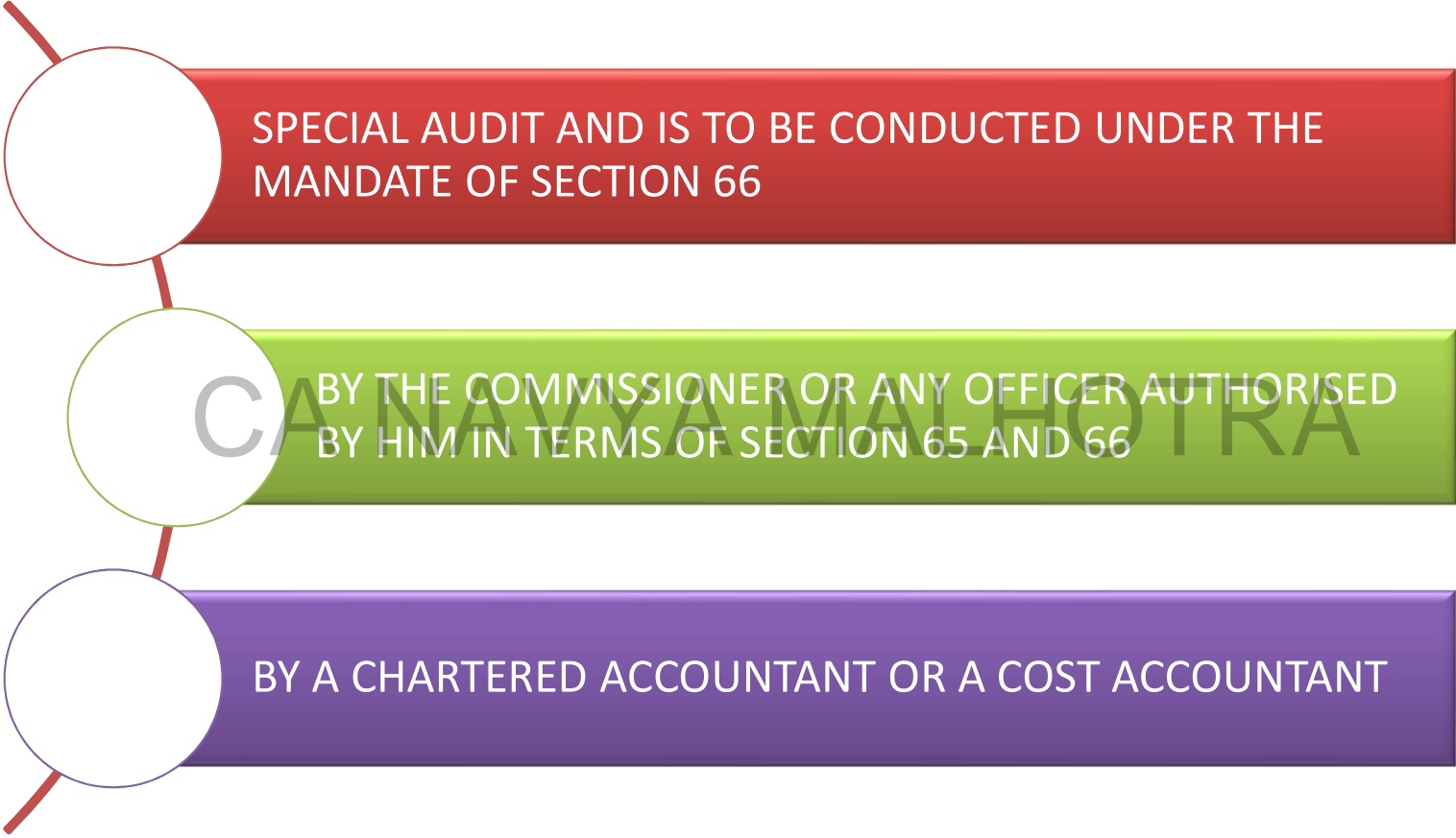
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What is an “Audit”

In terms of Section 2(13) of the CGST Act, 2017, “audit” means 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 thereunder.



Types of Audit under GST



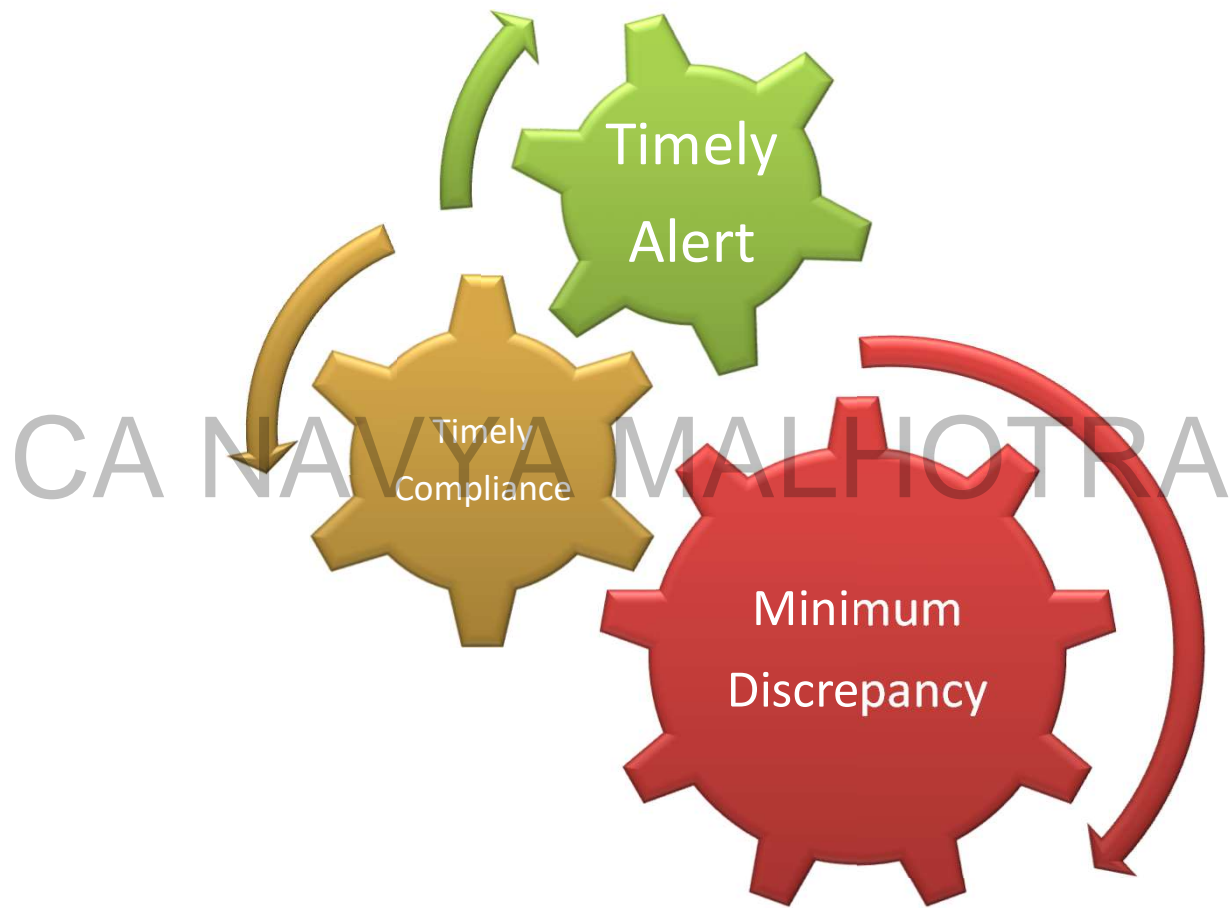
SPECIAL AUDIT AND IS TO BE CONDUCTED UNDER THE MANDATE OF SECTION 66

BY THE COMMISSIONER OR ANY OFFICER AUTHORISED BY HIM IN TERMS OF SECTION 65 AND 66

BY A CHARTERED ACCOUNTANT OR A COST ACCOUNTANT



Audit: Advantages



Class of registered persons liable for GST Audit

- ❑ Every registered person whose **aggregate turnover** during a financial year exceeds the prescribed limit of Rs.2 Crore is liable to get his accounts audited by a Chartered Accountant or a cost accountant.

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- ❑ The phrase 'aggregate turnover', as defined in Section 2(6) would mean the all-India PAN-based turnover for the financial year (inclusive of exports, inter-State supplies, exempt supplies, stock transfers, etc. but exclusive of GST and compensation cess).



Filings upon GST Audit

- ✓ The registered person shall submit a copy of audited annual accounts,
- ✓ The reconciliation statement (reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement)

In FORM GSTR-9C and other documents as may be prescribed



Submission of Audit Report

Section 35(5) read with Section 44(2) of the CGST Act provides that the following documents shall be furnished electronically by the assessee upon conclusion of the audit:

- a. Annual Return;
- b. Copy of the audited annual accounts;
- c. Reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement in FORM GSTR 9C (this FORM is expected to undergo some simplification), duly certified;
- d. Such other particulars, as may be prescribed.



Annual Return

The annual return is not merely the sum total of the periodic returns filed for the year, but a return reflecting the correct turnovers, data and details as per the provisions of the GST laws, based on the annual accounts of the assessee.

Where it is required to be audited, the turnovers appearing in the annual return shall be as per the audited figures.



Reconciliation statement

Rule 80(3) provides that the reconciliation statement shall be furnished in the FORM GSTR-9C (format yet to be notified). The provisions of Section 44(2) require reconciliation of the figures declared in '*return furnished for the financial year*' with the '*audited financial statement*'.

There would be a challenge in the reconciliation process in case of large entities having registration in multiple States/UTs, since many transactions on which GST has an impact may not have direct visibility in the financial statements.

E.g. Stock transfers, free supplies, distribution of free samples, gifts, transactions with related persons, supplies without consideration, goods sent on approval basis, supplies through agents, etc.



Accounts and Other records

- ✓ Details of input tax credit (ITC) availed
- ✓ stock of goods – in value and quantity with description of inflow and outflow production / manufacture of goods
- ✓ inward and outward supplies of goods and/or services including imports and exports
- ✓ supplies attracting tax on reverse charge
- ✓ details of advances paid / received
- ✓ output tax payable and paid, etc. along with the relevant documents such as invoices / bills of supply / delivery challans / credit notes / debit notes / receipt vouchers / payment vouchers / refund vouchers



Accounts and Other records

- ✓ names and complete addresses of suppliers and recipients
- ✓ and the complete address of the premises where goods are stored (including goods stored during transit)
- ✓ Such records are required to be maintained at the principal place of business (as appearing in the certificate of registration)
- ✓ and in case of additional places of business specified in the certificate, the records must be maintained in the respective places.



Checklist of GST Audit

- ❑ Whether the books of account and related records maintained are sufficient for verification of the correctness, completeness and accuracy of the returns;
- ❑ Whether the annual return filed reflects the correct figures and includes all the transactions effected during the year that require disclosure;
- ❑ Whether the value of outward supplies, and inward supplies declared in the annual return includes all the outward supplies and inward supplies, respectively, effected during the year;



Checklist of GST Audit

- ❑ Whether the inclusions and exclusions to / from the value of supply are in accordance with the provisions of the law;
- ❑ Whether the exemptions claimed in the annual return are in conformity with the provisions of the law;
- ❑ Whether the amount of ITC determined as eligible and ineligible have been determined in accordance with the provisions of the law;
- ❑ Whether the classification of outward supplies, rate and amount of tax thereon, and nature of tax, is correct;
- ❑ Whether the other information given in the return is correct and complete.



Other Points to be checked

- General profile and brief nature
- Registration details
- List of accounts and records maintained
- Tax paid under RCM
- Determination of transaction value
- ISD and cross charging
- Details of goods sent for job work



Other Points to be checked



Ineligible credit reversal



Details of exemptions claimed



Payment of taxes and refunds claimed



Notices and related compliances



Major Points of Consideration

- ❖ Understanding the business of the auditee
- ❖ Special attention to transactions not appearing in the financial accounts
- ❖ Use of Software
- ❖ Challenges for the year 2017-18



Challenges for the year 2017-18

- Multiple audits under indirect tax laws
- Lack of clarity in the GST law, frequent changes in the law
- Absence of / incomplete mandatory records
- Transitional issues



Audit by Tax Authorities under GST



Section 65

Audit by Tax Authorities

Who is authorised to undertake the audit of a taxable person?

Ans. The Commissioner of CGST/Commissioner of [SGST](#) 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.



Audit by Tax Authorities

Whether any reason to believe or evidence is required for initiate audit under Section 65?

Ans. No, Section 65 does not specify any such requirements. Commissioner can initiate audit on any taxable person for such period, at such frequency and in such manner as may be prescribed.



Audit by Tax Authorities

Should the registered person be informed in advance, prior to conduct of audit?

Ans. The registered person shall be informed, by way of a notice, sufficiently in advance, not less than fifteen working days, prior to the conduct of audit in the manner prescribed.



Audit by Tax Authorities

What is the time limit for completion of the audit under Section 65(1) and whether the same can be extended?

Ans. The audit under Section 65(1) shall be completed within a period of three months from the date of commencement of audit. The period of completion of audit can be further extended by a period not exceeding six months by the Commissioner for reasons recorded to be in writing.



Audit by Tax Authorities

What are the powers of the authorised officer in the course of audit?

Ans. During the course of audit, the authorised officer may require the taxable person, (i) to afford him the necessary facility to verify the books of account or other documents as he may require and which may be available at such place, (ii) to furnish such information as he may require and render assistance for timely completion of the audit.



Audit by Tax Authorities

What will be the consequences if registered person does not provided required information during the audit?

Ans. If registered person does not co-operate during the audit, the authorities may initiate action under Section 67.

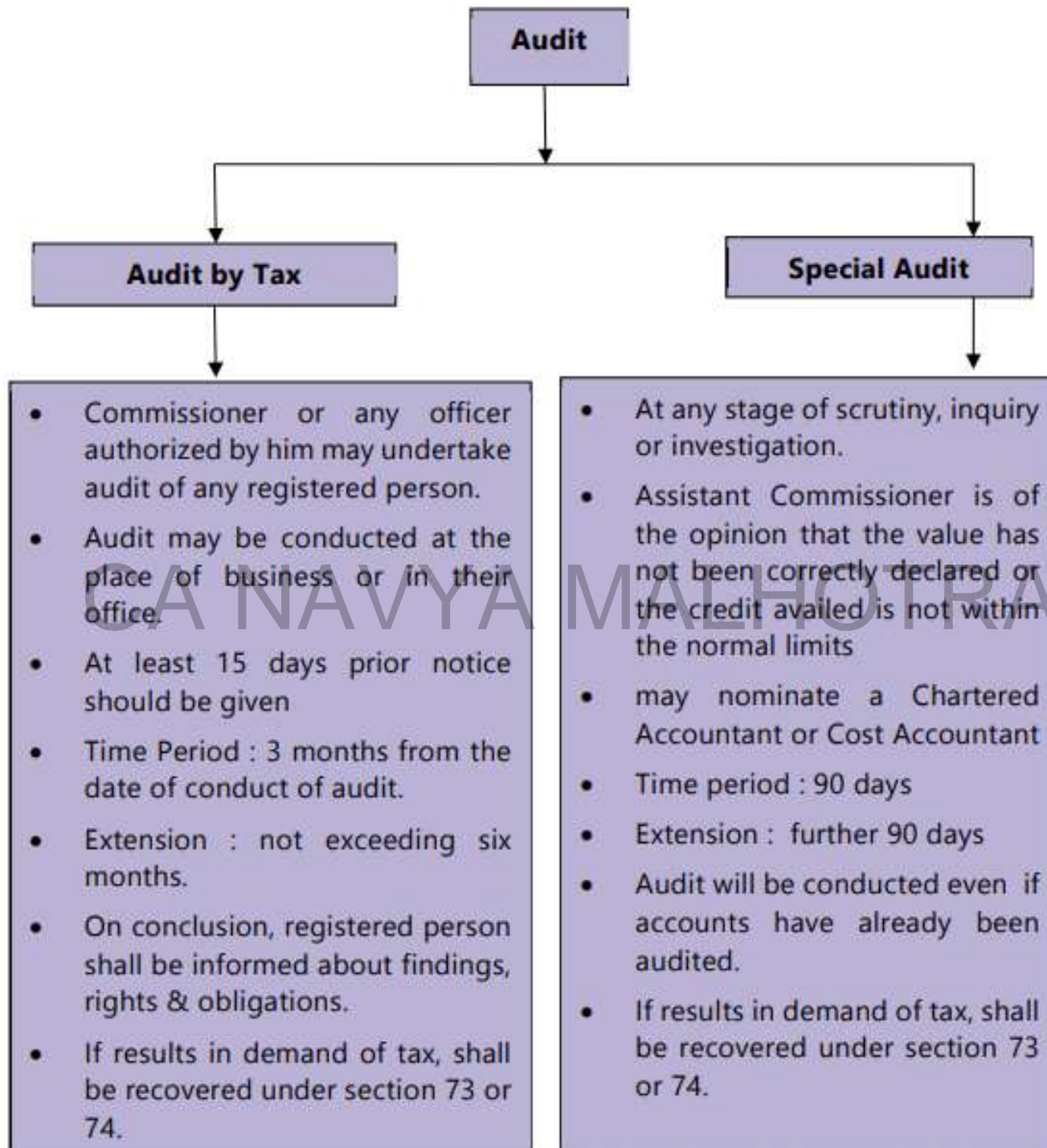


Audit by Tax Authorities

What action will be initiated when the audit conducted u/s 65(1) results in a demand?

Ans. Where the audit u/s 65(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.







thank you!

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