

**OVERVIEW OF RECORDS TO BE VERIFIED FOR GST AUDIT – FORM
GSTR 9C
AN OVERVIEW**

**ALL INDIA FEDERATION OF TAX PRACTITIONERS
WEBINAR
CA SIDDESHWAR YELAMALI
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RECORD / DOCUMENT

Record

- Source from which financial statements are drawn up – sales register, purchase register, ledgers, journal voucher

Document

- Supporting evidencing transaction recorded in books of accounts - Sales Invoice issued, Purchase invoice, Bank statements, Agreements, E-way bills, gate pass register

Issues

- Goods dispatched – not delivered due to transportation problem – floods, COVID – 19 etc
 - Check the revenue recognition policy for supplier and tax position for GST in such cases
 - Check input tax credit for recipient – receipt of goods condition. What happens for 180 days criteria for reversal of ITC is from date of receipt of goods or date of invoice
- Goods made available to customer but possession not taken
 - Implication for supplier
 - Implication for recipient

ANNUAL RETURN AND RECONCILIATION STATEMENT – FY 2018-19

- (1) **Annual return (Form GSTR 9)** - a registered person whose aggregate turnover (under same Permanent Account Number, to be computed on all India basis) in a financial year **does not exceed Rs. 2 crore** for financial years 2017-18 and 2018-19 **have an option to file annual return** (i.e. filing of annual return is not mandatory) - Notification No. 47/2019 Central Tax dated 09.10.2019.

- (2) **Reconciliation statement (Form GSTR 9C)** - Registered person - aggregate turnover (under same Permanent Account Number, to be computed on all India basis) **not exceeding 5 Crore** for financial year 2018-19 are not required to get their books of accounts audit under GST law and furnish reconciliation statement in Form GSTR-9C - Notification No. 16/2020-Central Tax dated 23.03.2020.

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- **Role of chartered accountant or a cost accountant in certifying reconciliation statement**

There are apprehensions that the chartered accountant or cost accountant may go beyond the books of account in their recommendations under FORM GSTR-9C. The GST Act is clear in this regard. With respect to the reconciliation statement, **their role is limited to reconciling the values declared in annual return (FORM GSTR-9) with the audited annual accounts of the taxpayer**

Section 2(13) Audit means

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graph TD; A[Section 2(13) Audit means] --> B[Examination of: Records, Returns, Other documents maintained or furnished]; A --> C[Maintained / furnished by a taxable person]; A --> D[To verify the correctness of: Turnover Declared, Taxes Paid, Refund Claimed, Input Tax Credit Availed]; A --> E[Assess the compliance of the taxable person];
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Examination

of:

- Records
- Returns
- Other documents maintained or furnished

Maintained /
furnished by a
taxable person

To verify the
correctness of:

- Turnover Declared
- Taxes Paid
- Refund Claimed
- Input Tax Credit Availed

**Assess the
compliance**
of the taxable
person

PART-B CERTIFICATION – SOME REFERENCE

- I/we report that the said registered person—
has maintained the books of accounts, records and documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder *has not maintained the following accounts/records/documents as required by the IGST/CGST/⟨⟨⟩⟩GST Act, 2017 and the rules/notifications made/issued thereunder:
- In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No.GSTR-9C are true and fair subject to following observations/qualifications, if any

INITIAL GROUND WORK

- Understand the client's business
- Nature of industry it operates – gather some basic information
- Nature of transactions carried out
- Entity structure
- Appointment letter
- NOC from previous auditor
- Preparation of audit programme
- Checklist
- Financial statement
- Form GSTR 3B, related workings, Form GSTR 1 details,

ACCOUNTS / RECORDS

- Outward and Inward supply of goods or services or both.
 - Input tax credit availed.
 - Output tax payable and paid
 - Stock of goods received and supplied – containing opening balance, receipts, supply, goods lost, stolen, written off, disposed by gift, free samples and closing stock
 - Invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers
 - Records of import or export of goods or services
 - Supplies attracting payment of tax on reverse charge along with the relevant documents.
 - Service provider to maintain details of goods used in providing services
 - Details of goods / capital goods sent to job worker and received back
- Manufacturer to maintain account of –
 - ✓ Production showing quantitative details of raw materials used in the manufacture
 - ✓ Quantitative details of the goods so manufactured including the waste and by products thereof.

ACCOUNT / RECORDS

- Account of advances received, paid and adjustments made thereto.
- Details of tax payable, tax collected and paid, input tax, input tax credit claimed
- Register of tax invoice, credit note, debit note and delivery challan
- Particulars of -
 - (a) names and complete addresses of suppliers from whom he has **received the goods or services** chargeable to tax,
 - (b) names and complete addresses of the persons to whom he has **supplied goods or services**,
 - (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

SPECIFIC DETAILS TO BE MAINTAINED BY A WORKS CONTRACTOR

Separate accounts of works contract

- The names and addresses of the persons on whose behalf the works contract is executed;
- Description, value and quantity (wherever applicable) of goods or services **received** for the execution of works contract;
- Description, value and quantity (wherever applicable) of goods or services **utilized** in the execution of works contract;
- The details of payment received in respect of **each** works contract; and
- The names and addresses of suppliers from whom he received goods or services.

REPORTS

Various reports which should be called for

- Audited financial statements along with Auditor's report
- Internal Auditor's report
- Income Tax Audit report
- Transfer pricing report



OUTWARD SUPPLIES

NATURE OF OUTWARD SUPPLIES

- Goods – intra-state and inter-State
- Deemed exports (supplies to EOU / Supply against Advance Authorisation / EPCG) – intra-state and inter-State. These are not exports
- Goods sent on return basis – check invoice date and date of removal
- Services - intra-state and inter-State
- Export of Goods , services
- SEZ supplies goods , services

OUTWARD SUPPLIES

- Outward supply registers to be verified with details GSTN wise TB, GSTR 3B, GSTR 9
- Reconciliation between GSTR 1, GSTR 3B, GSTR 9 and F/S (P&L and BS)
- Check if there is jump in invoice series
- Verify contents of tax invoice issued – Rule 46 of CGST Rules
- Cut off procedures for year end – goods dispatched but not delivered, goods made available but possession not taken
 - Time of supply under GST and revenue recognition policy
- Supplies made in lots / instalment
- Export / Supplies to SEZ without payment of integrated tax - LUT / Endorsement on tax invoice
- Advances received for services

OUTWARD SUPPLIES

- Transfer of goods from one State to another State - it is a supply. This does not form part of F/S how to verify this
 - what is the implication if capital goods are transferred?
 - stationeries are purchased in bulk at head office and transferred to branches located in another State. How to verify ?

Laptops are carried by employees from branch to another branch –

- for temporary purpose say for a project in another State and returns back after project is it supply? How will one verify this?
 - Employee is transferred – is it a supply? How to verify this?
- Goods sent for job work – inputs / capital goods
- CGST / SGST wrongly disclosed as IGST in GSTR 3B and return filed.
- 5D Deemed supply under Schedule I **without consideration**
 - Permanent transfer or disposal of business assets where input tax credit has been availed on such assets
 - Supply between related persons or between distinct persons (branches)

CREDIT NOTES

1. A register of credit notes issued against invoices raised
2. Check the conditions whether conditions for issue of credit notes is fulfilled
3. The Credit notes should be bifurcated into Credit notes having GST impact and credit notes issued without GST impact.
4. The GST credit notes should be linked to the original invoice.
5. Credit notes issued only till September 2019 is to be considered for the purpose of GSTR 9C.
6. Credit note issued for discounts post supply
 - a. Supporting agreements to establish the same and links to invoices for which discount is given
 - b. Confirmation from the recipient that ITC has been reversed by the recipient

TABLE 5A – TURNOVER AS PER AUDITED F/S - ANALYSIS

- ❑ Turnover for each GSTIN should be derived internally in case of multiple GSTINs (State-wise) registration
- ❑ Turnover as per audited Annual Financial Statements *only* to be declared
- ❑ Should not include “Deemed supplies under Schedule I” as Sl. No. 5D separately covers this provision.
- ❑ Care to be taken to include other indirect income like interest, miscellaneous income.
- ❑ Trial Balance of each State / GSTIN will be a good source
- ❑ GSTN wise invoice series details
 - ❑ check various series maintained,
 - ❑ check if there is jump in serial number of invoice



TABLE 5A – TURNOVER AS PER AUDITED F/S - CHECK POINTS

Check Points:

- ❑ Ensure that ***turnover declared for different registrations*** under same PAN (across India) matches with the total turnover of the entity – different auditors may be involved
- ❑ If the ***financial statements are not required to be audited*** under any other law, then the auditor must engage himself based on financial statements provided and make suitable disclosure
- ❑ Turnover declared in the GST returns may have to be reconciled with the turnover declared in the Income Tax return as a precaution.

TABLE 5B & 5H– UNBILLED REVENUE

- **5B Unbilled revenue at the beginning of FY (Add)** which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and GST was payable in the current financial year to be declared in Table 5B.

Unbilled revenue – some cost is incurred but mile stone for raising invoice is not reached

Eg. If Rs. 10 crores of unbilled revenue existed for the previous year and during the current financial year GST was paid / payable on Rs. 4 crores, than value of Rs. 4 crores shall be declared here.

- **5H Unbilled revenue at the end of Financial Year (deduct)** - Those on which GST is not payable to be recorded in Table 5H

Check Points:

- Adequate attention to “Notes to Accounts” and “Significant Accounting policies” where entity needs to adhere to audit provisions under allied laws.
- 5B – Financial statement of 2017-18
- 5H - Financial statement of 2018-19

TABLE 5C & 5I ADVANCES RECEIVED

- **5 C Unadjusted advances at the end of the Financial Year** (Add)- Advances received during the financial year on which GST has been paid but the same is not recognized as revenue in the financial statements to be declared in Table 5C and vice-versa in Table 5I.
- Analysis of Time of Supply of goods and services becomes crucial
- **Supply of goods:** Taxation on advances received by all registered persons relaxed w.e.f. 15.11.2017 only (Notification No. 66/2017-CT dated 15th Nov 2017).
- **Supply of services:** Advances are taxable even when received before supply.
- **5 I - Unadjusted Advances at the beginning of the FY** for which invoices have not been issued to be reduced
- Check if receipt voucher is issued / maintained for advances received for services – Section 31(3)(d) / Rule 50
- Link of advances and tax invoice issued subsequently to ensure taxes are remitted twice in Form GSTR 3B

DEEMED SUPPLIES

- 5D Deemed supply under Schedule I ***without consideration***
 - Permanent transfer or disposal of business assets where input tax credit has been availed on such assets
 - Supply between related persons or between distinct persons (branches)
- Disposal of asset - Board resolution or appropriate authority for disposal of asset, FAR entries
- Stock transfer – delivery challan, tax invoices, e-way bills, e-way bill register
- Activities which qualify as supply even without consideration as specified under Schedule I shall be declared here
- However, those forming part of turnover in financial statements need not be declared here.
- The related party transactions annexed in the notes to accounts have to be critically examined. Verify TP report for services provided by/to associated enterprise without consideration
- Staff welfare expenses and incentive provided to employees reported under the financial statements have to be critically examined

OTHER ADJUSTMENTS

5 O Adjustments in turnover due to reasons not listed

- ❑ Following **head of adjustments can be considered** under Table 5O.
 - turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements
 - turnover discovered as 'supply' during the course of audit, but not considered in the books of account and Form GSTR 9
- ❑ Illustration – Notice pay recovery, Inward supply returns inadvertently considered as Outward supply, Outward supply inadvertently considered as Inward supply, cash accounting system by partnership firms
- ❑ Adjustments should not be made under Table 5O merely to bring Table 5R to **'Nil'**.
- ❑ NIL rated supplies, Non-GST supply, exempt supply and Zero rated supplies without payment of tax ***should not*** be reduced as an **adjustment under Table 5O**

RCM

- RCM does not form part of outward supplies
- Verify expenses for RCM applicability viz GTA, sponsorship, Legal services from advocate, Director services, security service
- Import of services – verify payments made in FOREX
- Self invoices for RCM on domestic services received and payment voucher for domestic / import service



INPUT TAX CREDIT

ITC VERIFICATION

- Detailed examination of purchase register and Input GST ledgers must be carried out GSTIN wise
- Cases where consideration is not paid within 180 days from the date of invoice have to be verified. What happens when goods are received late due to floods etc. date should from receipt of goods or date of invoice?
- For goods check GRN, delivery challan for receipt of goods . Cut off procedure for March 31 transactions to be done
- Goods received on lots / instalments – ITC to be claimed on last receipt of last lot

ITC VERIFICATION

- Obtain reconciliation of ITC claimed in GSTR 3B with GSTR 2A report. – check the credit pertains to the registered persons - say If a supplier in GSTR 1 wrongly uploads goods supplied to another RP but uploads GSTN of some the person under audit
- ITC of capital goods – to check depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961 has not been claimed

ITC VERIFICATION

- Verify vendor wise invoices to check the contents of tax invoice
- ISD invoices where credit is distributed
- Check eligibility of ITC credits claimed viz. any blocked credits have been availed.
- Verify credits are claimed correctly i.e.. CGST / SGST is not claimed as IGST or vice versa
- Check application of Rule 42 / 43 for reversal of credits
- Check reversal of ITC – inward supply returns
- Check reversal of ITC – credit notes received for discounts given by the supplier

OTHERS

- Analytical review procedures
 - Ratio analysis
 - Comparison with previous period F/S, reports, 9 , 9C
- Sampling
- Documentation
- Opinion of experts, if any, obtained by the entity
- Management representation
- Erroneous refund repayment if any – check refund received provisionally and final refund order
- Obtain copies of notices issued by tax office, reply filed and order
- Check if any appeal has been filed and status of the same

THANK YOU

CA Siddeshwar Yelamali

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