

# GST RETURN FILINGS

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## Draft FAQs on GST Audit - Part II

In continuation of our previous alert on GST Audit and Annual Return, following additional points are clarified on the same subject.

➤ **Whether the audit documentation to be submitted by Auditor on completion of Audit will be in Certificate form or in form of a report?**

A format for the audit report / certificate is yet to be notified. It is not clear as to whether it will be in the nature of an audit report like the statutory audit report or tax audit report, or a certificate like in case of VAT audits. If it is in the nature of a certificate, the responsibility of the GST auditor would be substantially higher.

➤ **Is the annual return merely a summation of monthly returns filed under GST?**

On a plain reading of the relevant provisions, it appears that the annual return is not merely the sum total of the periodic returns filed for the year, but a return reflecting the correct turnover, data and details as per the provisions of the GST law, based on the annual accounts of the assessee.

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

➤ **Is there any timeline for correcting discrepancies found in the course of audit?**

During the course of the audit, any discrepancies found shall be corrected / rectified by declaring the correct turnover in the annual returns.

In this regard, it may be noted that the time limit for declaring the details of debit note/ credit note and for taking the input tax credit would lapse on the due date of furnishing monthly return for the month of September of the following year, whereas the annual return can be furnished by the end of December of the following year.

Where any discrepancies are noted during the course of the GST audit post September, it appears that no recourse would be available to tax payers.

➤ **Can changes be made to accounts and records maintained under GST?**

The details contained in the records are expected to be true and correct. Entries therein shall not be erased / effaced / overwritten, and all incorrect entries,

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otherwise than those of clerical nature, shall be scored out under attestation and thereafter the correct entry shall be recorded. In case of electronically maintained records, a log of every entry edited / deleted shall be maintained.

➤ **What are the checks that should be performed while performing an audit under GST?**

Inter-alia, the following are some important checks that should be performed by the auditor while performing an audit under GST:

- 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;
- 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.

➤ **What is the relevant information which should be covered by GST audit program?**

- General profile and brief nature of the industry/ business of the assessee;
- Registration details, additional places of business, registrations in other States, details of authorized signatories / persons in charge;
- List of accounts and records maintained, and information on software used;
- Details of outward supplies, exports, supply to SEZ, tax paid under RCM, supplies without consideration, etc.;
- Details of outward supplies involving works contracts, composite supplies, mixed supplies and continuous supplies;
- Provisions of time and place of supply of all outward supplies of the auditee;

- Determination of transaction value and value of supply in accordance with the Valuation Rules;
  - Compliance with the conditions for availment of credits, proportionate credit availed, ineligible credit reversal, payment to suppliers, etc.
  - Details of goods sent for job work and receipt of the same along with details of the process / treatment carried out during the job work;
  - ISD and cross charging
  - Details of exemptions claimed and compliance of the conditions therein;
  - Payment of taxes and refunds claimed, compliance with related conditions;
  - Departmental correspondences, notices and related compliances;
  - Relevant applicable standards/ guidance notes as available; and
  - The major analytical ratios.
- **What will be the consequences of failure to submit the annual return or not getting the accounts audited where it is mandatory to do so under GST Law?**

Section 44(2) of the CGST Act provides that every registered person who is required to get his accounts audited shall furnish the annual return along with a copy of the audited annual accounts and a reconciliation statement. If the audited accounts are not furnished along with the annual return, it may not be considered as a valid return.

Section 47(2) provides that in case of failure to submit the annual return within the specified time, a late fee shall be leviable – Rs. 100 per day during which such failure continues subject to a maximum of a quarter percent of the turnover in the State/UT.

Regardless of the penalty amount, a thorough quantitative and qualitative audit is necessary for correctness and completeness of annual return and therefore it is in best interest of taxpayers. It shall also save penalty and interest under other provisions for underpayment of tax.

***Please note that above FAQs are only draft FAQs subject to issuance of Forms GSTR-9 and GSTR 9C by the Government. Reliance has been placed on ICAI's Guidance Note on GST Audit, March 2018.***

*The information contained in this newsletter is solely intended to provide general guidance on matters of interest. Nothing herein constitutes professional or legal advice, nor does any information herein constitute a comprehensive or complete statement of the issues discussed. It is recommended that you seek a professional advice to confirm your understanding on the issues dealt above.*