

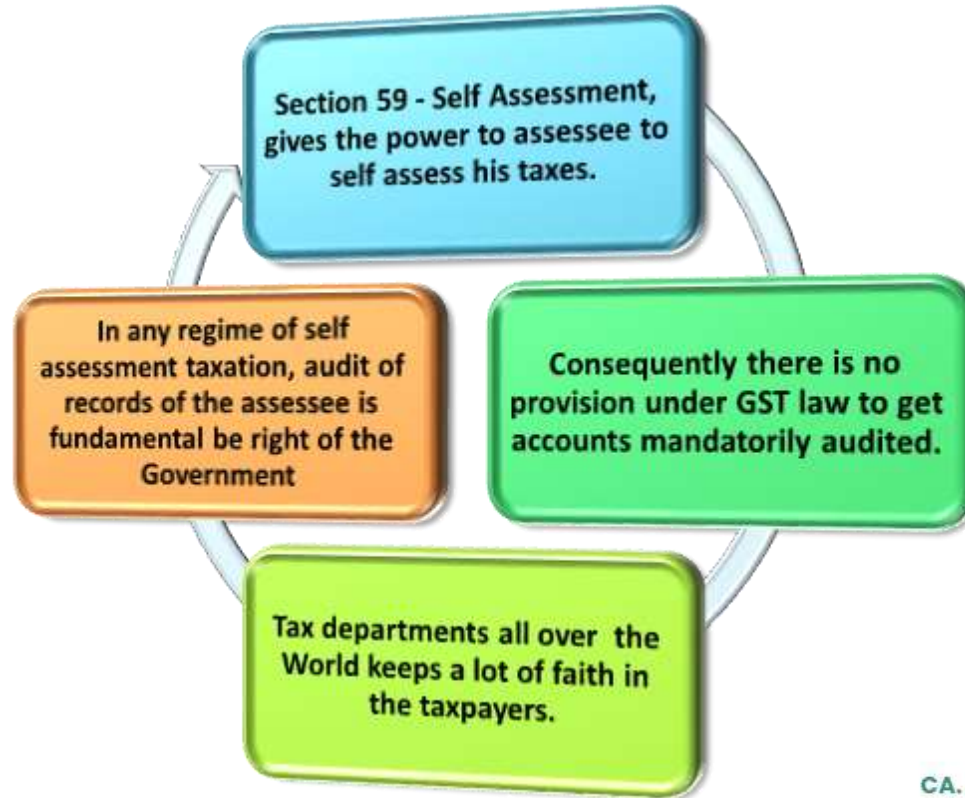
# Departmental Audit under GST

**CA. Rajender Arora**

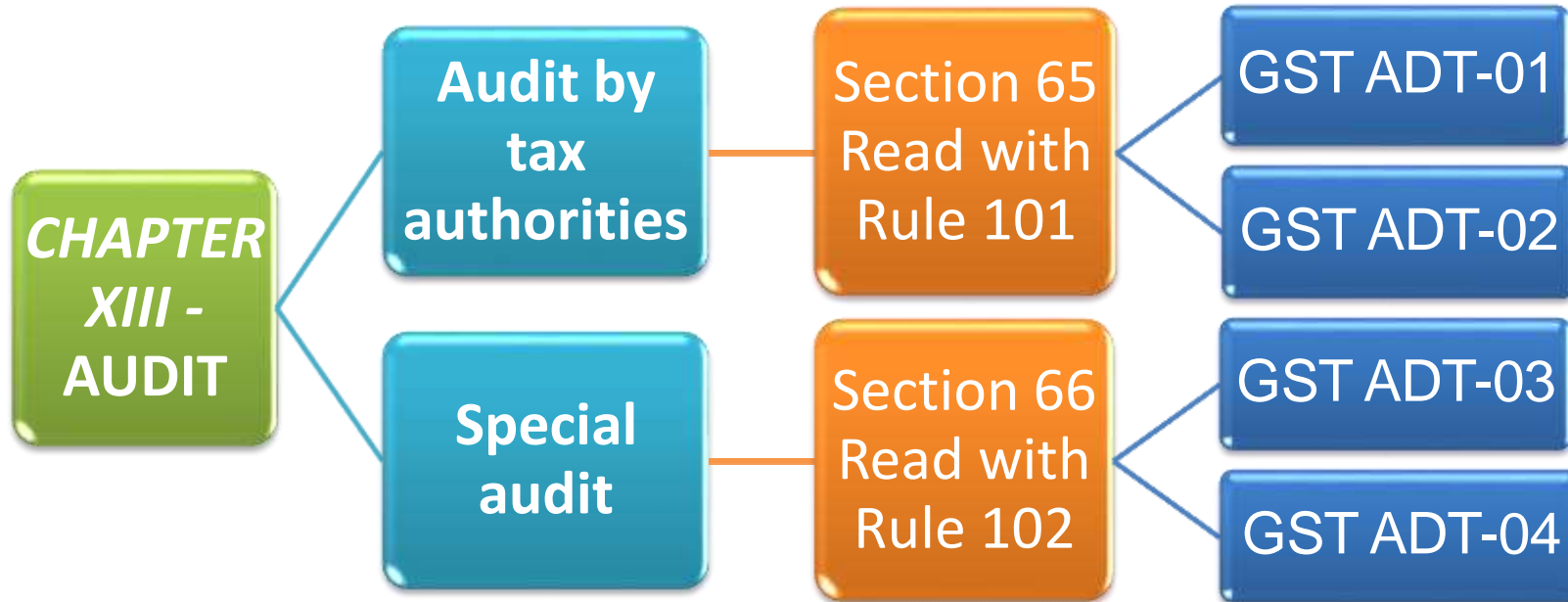
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# Departmental Audit under GST



# Departmental Audit under GST



# Departmental Audit under GST

## Audit by tax authorities

Commissioner, by general or a specific order, undertake audit of RP for FY or part thereof or multiples thereof, may conduct audit at the PoB of the RP or in their office

PO shall issue notice not less than 15 working days prior to the conduct of audit in FORM GST ADT-01 to the RP

PO may inform RP of discrepancies. RP may file reply. PO shall finalise audit after considering reply

Shall be completed within 3 months from the date of commencement of the audit

Can be further extended for 6 months by Commissioner

"Commencement of audit" - the date on which the records and documents, are made available by the RP to tax authorities or the actual institution of audit at PoB, whichever is later.

On conclusion, PO shall within 30 days inform RP findings in GST ADT-02 and his rights and obligations and the reasons of findings

Audit results in detection of tax not paid or short paid or erroneously refunded, or ITC wrongly availed or utilised, the PO may initiate action u/s 73 or 74



# Departmental Audit under GST

## 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 RP for such period, at such frequency and in such manner as may be prescribed [**Rule 101**].
2. The officers referred to in sub-section (1) may conduct audit
  - ✓ at the place of business of the RP or
  - ✓ in their office.
3. The RP shall be informed by way of a notice not less than 15 Working days prior to the conduct of audit in such manner as may be prescribed [**Rule 101**].
4. The audit under sub-section (1) shall be completed
  - within a period of 3 months from the date of commencement of the audit:

**FURTHER EXTENSION 6 MONTHS**-Where the Commissioner is satisfied that audit in respect of such RP cannot be completed within 3 months, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding 6 months.



# Departmental Audit under GST

## Section 65: Audit by tax authorities

- Expression "commencement of audit" shall mean the date on which the records and other documents, called for by the tax authorities,
  - are made available by the RP or the actual institution of audit at the place of business, whichever is later.
5. During the course of audit, the authorised officer may require the RP,—
- i. to afford him the necessary facility to verify the books of account or other documents as he may require;
  - ii. to furnish such information as he may require and render assistance for timely completion of the audit.
6. On conclusion of audit, PO shall, within 30 days, inform the RP, whose records are audited, about the findings, his rights and obligations and the reasons for such findings.



# Departmental Audit under GST

## Section 65: Audit by tax authorities

7. Where the audit conducted under sub-section (1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, PO may initiate action under section 73 or section 74.



# Departmental Audit under GST

## Rule 101: Audit

1. The period of audit to be conducted shall be a financial year or part thereof or multiples thereof.
2. **GST ADT -01** - Where it is decided to undertake the audit of a RP in accordance with the provisions of section 65, PO shall issue a notice in FORM GST ADT-01 in accordance with the provisions of sub-section (3) of the said section.
3. **DEF OF AUDIT ONLY-VERIFICATION OF THE RECORDS OF RP** - PO authorised to conduct audit of the records and the books of account of the RP shall, with the assistance of the team of officers and officials accompanying him,
  - ✓ verify the documents on the basis of which the books of account are maintained and the returns and statements furnished,
  - ✓ the correctness of the turnover, exemptions and deductions claimed,



# Departmental Audit under GST

## Rule 101: Audit

- the rate of tax applied
  - the input tax credit availed and utilised,
  - refund claimed, and
  - other relevant issues and record the observations in his audit notes.
4. PO may inform the RP of the discrepancies noticed, if any, as observed in the audit and the said person may file his reply and PO shall finalize the findings of the audit after due consideration of the reply furnished.
5. **FINDINGS OF AUDIT IN ADT - 02** - On conclusion of the audit, PO shall inform the findings of audit to the RP in accordance with the provisions of sub-section (6) of section 65 in FORM GST ADT-02.



# Departmental Audit under GST

## 10 POINTS SOLUTION TO HOW TO GET AUDIT BY TAX AUTHORITIES CONDUCTED

1. Keep all the information up and ready in an organized manner, so that same may be presented as and when required.
2. Conduct Pre-audit, either yourself or by a consultant to cover the loopholes, if any, both from documentation as well as legal aspect.
3. Provide complete cooperation to with tax authorities in conducting the audit. Provide all necessary documents and details as asked for without any delay. Provide proper infrastructure. Prompt reply is appreciated. Non cooperation can result in lethal consequences given the powers, like inspection etc.
4. Art of seeking adjournment and seeking extra time. Do not rush to provide any information. When unsure, seek some time.
5. Provide as much information as possible in one go rather than making multiple submissions. Submit complete information regarding any specific issue and not in parts.



# Departmental Audit under GST

## 10 POINTS SOLUTION TO HOW TO GET AUDIT BY TAX AUTHORITIES CONDUCTED

6. If insisted upon for any payment of tax on matter subject to litigation, always make payment under protest and mention same in DRC-03.
7. Obtain acknowledgement of documents submitted to ensure department cannot claim non-cooperation later and seek extended period for SCN.
8. Ensure as much communication with department as possible in writing. Even when they insist on payment of tax, so as to ensure tax was paid under protest/coercion. **BHUMI ASSOCIATES-GUJRAT HC**
9. Keep parallel record of all documents submitted with department.
10. Submit to the point and appropriate reply. Avoid vague and incomplete replies. Take help of consultant wherever necessary.



# Departmental Audit under GST

## Points to be kept in mind while Reply

- Give point wise reply
- Give exhaustive list of documents, whatever is relevant to the questions asked
- When draft audit para is provided, give relevant exhaustive to the point reply because on the basis of reply submitted, final audit report shall be drafted



# Departmental Audit under GST

## Section 65: Audit by tax authorities

- ✓ **GST AUDIT MANUAL 2019** is published after approval by the Board. It is to be noted that the manual does not deal with legal interpretations and rulings on GST matters.

[https://drive.google.com/file/d/1ek68WThdCTt6XimGQJeuqTCJB8V\\_ZKDS/view?usp=drivesdk](https://drive.google.com/file/d/1ek68WThdCTt6XimGQJeuqTCJB8V_ZKDS/view?usp=drivesdk)

- ❑ **Karnataka GST AUDIT MANUAL 2019** is published after approval by the Board. It is to be noted that the manual does not deal with legal interpretations and rulings on GST matters.

[https://drive.google.com/file/d/10FAkhTTFGVi00Ijn8jV0Wtmt\\_b022Nr-/view](https://drive.google.com/file/d/10FAkhTTFGVi00Ijn8jV0Wtmt_b022Nr-/view)

- ❖ **Audit plan for the year 2019-20**

<https://drive.google.com/file/d/10EETFQaKBFNpDo2wq2qTQjfbACNW8etB/view>



# Departmental Audit under GST

## Documents to be prepared by the taxpayer in advance

1. Returns (GSTR-1, GSTR-2A/GSTR-2B, GSTR-3B, GSTR-9, GSTR-9C)
2. Reconciliation of returns with Books of Accounts
3. Electronic Cash Ledger and Electronic Credit Ledger
4. GST Registration Certificate
5. Income tax Return
6. Audit report in Form 3CA/3CB/3CD and 3CEB, if Applicable alongwith Trial Balance and Audited Financial Statements
7. Statutory Audit Report, if applicable
8. Internal Audit Report and Cost Audit Report, if applicable



# Departmental Audit under GST

## Documents to be prepared by the taxpayer in advance

9. Returns submitted to Banks/ Financial Institutions, etc., if applicable
10. Summary of invoices of outward supply (taxable, zero rated, NIL Rated, exempted, non-taxable)
11. Summary of invoices on which ITC is availed
12. Agreements/Delivery Challans/Purchase Order
13. Duly filled GSTAM (GST Audit Manual) Applicable Annexures

This is not exhaustive list of documents and has been prepared on the basis of notices issued to the taxpayers. However, the department can demand additional details/documents which it may consider necessary depending upon the nature and facts from case to case.



# Difference between Audit by Tax Authorities & Special Audit

Basis	Audit by Tax Authorities	Special Audit
<b>Applicable Section</b>	Section 65	Section 65
<b>Applicable Rule</b>	Rule 101	Rule 102
<b>Other Applicable Sections</b>	Section 70 & 71 to give evidence or to produce a document or any other thing. Section 73 & 74 on demand of tax or other amounts. Section 122, 123 and 125 for not complying with the request of the department to facilitate conduct of Audit.	
<b>Circumstances</b>		If in scrutiny, inquiry, investigation or any other proceedings, PO is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits.
<b>Order</b>	The PO, by way of a general or a specific order, may undertake audit of any RP for such period, at such frequency and in such manner as may be prescribed	
<b>Place of Audit</b>	may conduct audit at the place of business of the RP or in their office. Business Premises can be accessed as per Section 71(2).	Business Premises can be accessed as per Section 71(2).





# Difference between Audit by Tax Authorities & Special Audit

Basis	Audit by Tax Authorities	Special Audit
<b>Period to be covered during audit</b>	financial year, or part thereof or multiples thereof to cover the retrospective period up to the previous audit or the limitation period specified in Section 73 or 74. [As per GSTAM-2019 by CBIC].	
<b>While Conducting Audit</b>	PO may require RP to:- (i) To afford him the necessary facility to verify the books of account or other documents as he may require; (ii) To furnish such information as he may require and render assistance for timely completion of the audit.	The RP shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit which is proposed to be used in any proceedings against him.
<b>Prior Intimation</b>	RP shall be informed by way of a notice not less than fifteen working days prior to the conduct of audit in FORM GST ADT-01.	PO shall issue direction to RP in FORM GST ADT-03.



# Difference between Audit by Tax Authorities & Special Audit

Basis	Audit by Tax Authorities	Special Audit
<b>Meaning of PO</b>	Commissioner or the officers authorized by him.	Assistant Commissioner or the officers authorized by him, with the prior approval of the Commissioner.
<b>Conducted by</b>	Proper Officer (PO)	chartered accountant or a cost accountant as may be nominated by the Commissioner.
<b>Remuneration</b>	Audit is to be conducted by Department itself. So no requirement to Pay Remuneration.	determined and paid by the Commissioner.
<b>What if Accounts are already Audited</b>	As the earlier audit was conducted u/s 35(5) by chartered accountant or a cost accountant but this Audit is to be conducted by Department itself. So this audit can also be conducted separately.	Audit shall be conducted even if accounts are already audited.



## Difference between Audit by Tax Authorities & Special Audit

Basis	Audit by Tax Authorities	Special Audit
<b>Timelines</b>	within a period of three months from the date of commencement of the audit.	within the period of ninety days.
<b>i. Normal Time</b>		
<b>ii. Extended Time</b>	extend the period by a further period not exceeding six months.	extend the said period by a further period of ninety days.
<b>Consequences</b>	<b>After</b> PO within thirty days, inform the RP about the findings, his rights and obligations and the reasons for such findings in FORM GST ADT-02.	RP shall be informed of the findings of the special audit in FORM GST ADT-04.
<b>Completion of Audit</b>		
<b>i. Duty of Officer</b>		
<b>ii. Power of Officer</b>	Audit results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, PO may initiate action under section 73 or section 74.	



# Thanks!

**Any questions?**

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