<u>**Audit Under GST Regime.**</u>

Audit under GST is envisaged under following 3 circumstances:

1. Conducted by a Chartered Accountant / Cost Accountant due to turnover exceeding the prescribed limit of Rs 2 Crores.

2. Audit conducted by Tax Authorities.

3. Special Audit conducted by a Chartered Accountant by order of tax authorities.

We shall be focusing on point 1 above, in this article.

Definition of “audit” under GST: As per section 2(13) of CGST Act;

“**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.

Who is supposed to get accounts audited under GST:
According to section 35(5) of CGST Act:

*Every registered person whose <u>turnover</u> 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 <u>audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed</u>*.
(prescribed limit for turnover is Rs 2 Crores)

The Act does not define the word “turnover”, but it does define “aggregate turnover”.

As per section 2(6) of CGST Act:

*“**aggregate turnover**” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), **exempt supplies**, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis <u>but excludes central tax, State tax, Union territory tax, integrated tax and cess</u>*.

A close look of this definition explains following points:

1. All outward supplies shall form part of aggregate turnover, irrespective it is within the state, inter-state or export. (This will include taxable as well as exempt supplies)
2. Even though GST is payable on reverse mechanism, such inward supplies shall NOT form part of aggregate turnover.
3. Turnover on all India basis accounted under same PAN shall be considered.
4. The amount of turnover shall exclude any type of GST. In other words, taxes shall not form part of aggregate turnover.

Now let us see what Documents are prescribed u/s 44(2):

a. Annual returns as mentioned u/s 44(1). This means even though monthly / quarterly returns are filed, every registered dealer need to file an annual return.
b. Reconciliation statement of value of supplies declared in the GST returns vis-à-vis audited financial statements.

Last Date of Filing Audit report:

As per section 44(1) Every registered dealer has to file annual accounts along with audit report if any, before 31st December following the end of financial year.

But as per section 16(4)
A person shall not be entitled to take input tax credit of any invoice or debit note after the due date of furnishing of the return u/s 39 for the month of September following the end of financial year to which such invoice / debit note pertains to.

Thus, effective date of completing the audit of earlier financial year has to be before 30th Sept, else underutilised input credit shall have to be forgone.

Form for filing GST Audit report:
GST audit report need to be filed in **Form GSRT-9C**. Through the Form, following details need to be given.

1. Main Audit report.
2. Static Information of Taxable Person.
3. Summary of Turnover and tax liability which is percolated down by 12 **Annexures**.
    1. Annex 1 - Total outward supplies
    2. Annex 2 - Total inward supplies
    3. Annex 3 - Total tax liability on output supply and supplies liable to reverse charge.
    4. Annex 4 - Input tax credit availed during the year
    5. Annex 5 - Payment of tax by utilising cash in cash ledger, by utilising input tax credit ledger, by utilising TDS in cash ledger
    6. Annex 6 - Deposit by challans
    7. Annex 7 - Transfer of TDS from deductors
    8. Annex 8 - Refunds
    9. Annex 9 - Amounts paid under protest/ as pre-deposit against demand
    10. Annex 10 - Balances as on date of financial statements (GST payable).
    11. Annex 11 - Balances as on date of financial statements (ITC)
    12. Annex 12 – TDS Deducted as per GST law.

Few Important Rules Under GST:

Accounting & Record Rules under CGST

Rule no 56(7)
Every registered person shall keep the books of account at the principal place of business and books of account relating to additional place of business mentioned in his certificate of registration and such books of account shall include any electronic form of data stored on any electronic device.

Rule no 56(8)
Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter, the correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.

Rule no 56(9)
Each volume of books of account maintained manually by the registered person shall be serially numbered.

Rule no 56(12)
Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof. (For Manufacture)

Rule no 56(13)
Every registered person supplying services shall maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilized and the services supplied. (For Supply of Services)