

Technical Guide on GST Audit



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

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Foreword

Goods and Services Tax (GST) is perhaps India's most revolutionary tax reform and has been envisioned as an efficient tax mechanism to simplify taxation procedures and to make India a unified market with its 'One Nation One Tax' approach. Under CGST Act 2017, every registered person whose turnover during the financial year exceeds the prescribed limit i.e. Rs. 2 Crore shall have to get his accounts audited by Chartered Accountant or Cost Accountant as specified under sub-Section 35(5) and shall have to submit a copy of audited annual accounts, the reconciliation statement duly certified, in Form GSTR-9C. This being the first year of GST audit, due date for filing the returns now stands extended to 30th June 2019 for the financial year 2017-18, giving taxpayers more time to understand the nitty-gritties of compiling the annual returns and getting their GST audit conducted in a smooth manner.

To help in conducting GST audit and in order to facilitate a clause by clause analysis of Form GSTR-9C by members and other stakeholder, GST & Indirect Taxes Committee has brought out this Technical Guide on GST Audit. I am sure this Guide will provide a crisp and precise view of elaborative provisions of CGST Act 2017.

Government has given the responsibility of certifying the GSTR-9C to Chartered Accountants, which I am sure will be taken care by our members with utmost care and dedication. I am also confident that this technical guide will be of great significance and will provide assistance to our members on the critical issues arising while conducting such audit. I would request my professional colleagues to equip themselves and exercise due care while certifying the relevant form.

I really appreciate the efforts put in by Chairman and Vice-Chairman and other members of the GST & Indirect Taxes Committee of ICAI for undertaking this tedious task and coming out with this Technical Guide on GST Audit in such a short span of time.

I wish the readers a fruitful and enriching experience.

Date: 31.05.2019

Place: New Delhi

CA. Prafulla P. Chhajed

President, ICAI

Preface

The Goods and Services Tax is a trust-based taxation regime wherein a taxpayer is required to self-assess his tax liability, pay taxes and file returns. Thus, to ensure whether the taxpayer has correctly self-assessed his tax liability, the concept of Audit have been incorporated under GST. This involves examination of records, returns and other documents maintained by a GST registered person.

Since GST Audit is the last activity to be done by the tax payers for the financial year 2017-18, this **Technical Guide on GST Audit** is a written document/attempt to create awareness among the trade/ industry and more importantly among the members to discharge their professional duties. Further, they would be drawing up reconciliation statement as required under Section 44(2) of CGST Act, 2017 in Form GSTR-9C reconciling the figures of the annual return in Form GSTR-9 with the Audited Annual Accounts and certifying the same for those having aggregate turnover over 2 Crores.

An attempt has been made in this guide to cover the areas that are related to the basic principles, policies and special issues pertaining to conduct of a Goods and Services Tax Audit/Certification. This guide may not contain answers to all the problems that may arise in the day-to-day audit work still we tried to cover issues came in our knowledge and in the course of discussion. If something is not covered here in such cases, the GST auditor may have to apply his mind judiciously, keeping in view the intent behind the law, principles and policies.

We are happy to acknowledge the support of CA. A. Jatin Christopher, CA. S. Venkatramani, CA. Gaurav Gupta and assistance provided by members of the Study Group in Kolkata and Chennai CA. D S Agarwala, CA. Gagan Kedia, CA. Vikash Kr. Banka, CA. Sahib Singh Chowdhary, CA. Abhishek Agarwal, CA. Madhulika Jain, CA. Anshuma Rustagi, CA. Amit Jain and CA. J. Purushothaman, CA. R Subramanian, CA. B Ganesh Prabhu, CA. Shankara Narayanan, CA. Viral, CA. J Murali, CA. Yashwanth, CA. G Subashini, CA. V.V Sampath Kumar and others members of the committee. I also appreciate the dedicated efforts of entire Secretariat of GST & Indirect Taxes Committee.

The users are encouraged to provide suggestions for the improvement of this guide at the link at gst@icai.in.

CA. P. Rajendra Kumar
Vice-Chairman
GST & Indirect Taxes Committee

CA. Sushil Kumar Goyal
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GST & Indirect Taxes Committee

Place: Delhi
Date: 31.05.2019

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Chapter 1

Introduction to GST Audit

Reference to the Central Goods and Services Act, 2017 (CGST Act, 2017), wherever stated, must be understood to mean and include the respective State Goods and Services Tax Act, 2017/ Union Territory Goods and Services Tax Act, 2017 (SGST Act, 2017 / UTGST Act, 2017) and relevant provisions, where required, of Integrated Goods and Service Tax Act 2017(IGST Act, 2017). While every care has been taken to include the relevant Rules, certain portions may have to be read and understood along with Rules framed with respect to the respective State / UT / IGST legislations.

Introduction

The introduction of the Goods and Services Tax regime is a revolutionary step in the domain of commodity and services tax, which has brought about a paradigm shift in the methodology of levy and collection of taxes. It is an internationally recognized multipoint tax system, providing for levy of tax on goods as well as services on the value addition occurring at every stage of business activity. Today, it can be said that the GST, being a self-assessment tax, requires the introduction of audit procedures for ensuring its proper compliance.

The audit of accounts in Corporate Sector has been made compulsory by legislation over decades. In addition to the above, the specific legislations governing different types of entities also mandates audit under the respective statutes. Realizing the importance of audit of businesses which are essentially not governed by the Companies Act or any other special statutes, the Income-tax Act introduced audit of businesses that have crossed the turnover limit provided in Section 44AB of the Income-tax Act. This has always helped the Government to ensure its statutory compliance under the provisions of the Income Tax Act.

Under the Central Excise Act, 1944 and Service Tax law (vide Finance Act, 1994), special audit was prescribed under Section 14A and 14AA of Central Excise Act, 1944 and Section 72A of Finance Act, 1994. Special Audit was required to be conducted by a Chartered Accountant or a Cost Accountant in cases where the Commissioner of Central Excise had reasons to believe that the credit of duty availed of and utilized under the rules are not within normal limits or that there is a case of under valuation. However, there was no general provision for audit by Chartered Accountants based on the turnover limit.

Goods and Services Tax was introduced to consolidate most of the indirect taxes and also to increase the tax base with emphasis on compliance. At the same time, thrust was given to self-assessment processes whereby the taxpayers are required to assess their tax liability and pay taxes. While doing so and considering the challenges which the government may face in

handling the volume of taxpayers and transactions, technology support has been taken right from the time of its introduction.

In the self-assessment regime, it becomes essential to have checks and balances to protect the revenues' interests. The existing bureaucratic machinery would certainly be better placed if professionals are roped in. Because of this, the Government always looks for professional help. Invariably, they take the help of trained Chartered Accountants who are experts in accounting, statutory provisions, financial transactions, etc., and being a part of the Institute of Chartered Accountants of India set up by an Act of Parliament. This time, in addition to the Chartered Accountants the Government has also sought the help of Cost Accountants for the same.

Meaning of Audit in General

Audit is a subject with which members of the accountancy fraternity are familiar. Auditing is a systematic and independent examination of the books and records of an entity to ascertain and report on the facts regarding its financial operations and results thereof. The systematic and independent examination of the books and records may be limited to transactions and performances of an entity for a stated purpose, say audit under GST. Such an audit may be conducted to ascertain whether they present a true and fair view of the financial transactions vis-a-vis returns filed with the authorities. This compulsory audit is intended to ensure proper maintenance of books of account and other records, in order to reflect the true turnover and purchase of a dealer and also to reflect the correctness of input tax claimed and output tax paid, to facilitate the administration of tax laws for his further assessment.

Objective of Audit under GST Law

The objective of the GST audit can be ascertained from the definition of Audit given in Section 2(13) of Central Goods and Services Tax Act, 2017(CGST Act). The said definition reads as follows:

“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 there under.”

From the above, it can be deduced that:

- (a) Audit is examination of records, returns and other documents;
- (b) Those records, returns and documents might have been maintained or furnished under GST Law or any other law;
- (c) The examination is to verify the correctness of:

- (i) Turnover declared;
 - (ii) Taxes paid;
 - (iii) Refund claimed; and
 - (iv) Input tax credit availed;
- (d) The examination is also to assess auditee's compliance with the provisions of GST Act and Rules.

All this makes it clear that the objective of GST Audit is to ensure the correctness of Turnover declared, Taxes paid, Refund claimed, and Input Tax Credit availed in addition to compliance of the GST Act and Rules. The intent is that the compliance of the GST law has to be confirmed by the GST audit.

The objective of Audit under GST as per the definition under Section 2(13) can be explained as follows:

Legal provisions of GST Audit

In order to understand the gamut of the GST Audit and its requirement, it is relevant for us to understand the legal provisions related to the GST audit. Two important provisions which are relevant and important in this context are Section 35(5) and Section 44(2) of the CGST Act, 2017.

In terms of Section 35(5) "every registered person whose turnover 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 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".

In terms of section 44(2) "every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of Section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed".

In terms of Rule 80(3) of the CGST Rules "every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of Section 35 and he shall furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in GSTR 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner".

Comment: Section 35(5) begins with the expression "every registered person whose turnover during a financial year exceeds the prescribed limit" whereas the relevant Rule 80(3)

uses the expression “every registered person whose **aggregate turnover** during a financial year exceeds two crore rupees”. It must be noted that the word **turnover** has not been defined whereas the expression **aggregate turnover** has been defined. One may note that the expression **turnover in State or turnover in the Union territory** is defined. In this backdrop the following understanding is relevant:

- (a) Aggregate turnover is PAN based while turnover in a State / UT, though similarly worded, is limited to turnover in a State / UT, which is limited to a State;
- (b) It is, therefore, reasonable to interpret that the word turnover used in Section 35(5) ought to be understood as aggregate turnover;
- (c) For the financial year 2017-18, the GST period consists of 9 months whereas the relevant Section 35(5) uses the expression financial year. Therefore, in the absence of clarification from the Government, and to avoid any omission due to aggressive interpretation, it is prudent to understand that the turnover limits prescribed for audit i.e., Rs. 2 crores one should consider aggregate turnover for the whole of the financial year which would also include the first quarter of the financial year 2017-18. Please consider that travelling to a period (prior to introduction of GST) is only to identify the ‘trigger’ for applicability or inapplicability of this audit requirement and does not do any great offence to sanctity of limiting GST audit to transactions after 1 July 2017. After considering 12-months transactions, GST audit will however be limited to transactions attracting GST law, that is, 9-months of 2017-18.

However, if taxpayer were to take a view that the threshold of Rs. 2 Crore ought to consider transactions 9 months since implementation of GST from 1 July, 2017, suitable disclosure or intimation to the jurisdictional officer in writing, would be merited.

It can be seen that 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, duly certified;
- (d) Such other particulars, as may be prescribed

Vide Rule 80(3) the reconciliation statement shall be furnished in the GSTR 9C. The provisions of Section 44(2) require reconciliation of the figures declared in ‘*return furnished for the financial year*’ with the ‘*audited financial statement*’. It appears that the return furnished for the financial year refers to the annual return furnished in FORM GSTR 9.

In addition to the three provisions mentioned above, there are number of provisions which are relevant for carrying out audit or reconciliation.

Applicability of GST Audit

Section 35 of the CGST Act, deals with the maintenance of books of accounts, documents and records. Section 35(5) read with Section 44(2) of the CGST Act and the corresponding Rule 80(3) of the CGST Rules relates to audit. In terms of the said section / rule, every registered person whose turnover in a financial year exceeds two crore rupees has to get his accounts audited by either a **Chartered Accountant** or a Cost Accountant.

Though the definition of Audit under Section 2(13) mandates certain aspects, there is no specific mention of methodology of audit or the manner of reporting either in the Act or the Rules, except for a certificate format which is notified as part of reconciliation statement in Form GSTR 9C.

Combined reading of the Section 35(5), 44(2) along with the notified forms, give rise to two situations, namely, (a) entities not required to be audited under any other statute in which case audit has to be carried out in terms of Section 35(5) and reconciliation statement to be drawn under Section 44(2) duly certified and (b) entities that are required to be audited under any other statutes like the Companies Act, Income-tax Act, Co-operative Societies Act, etc., When the records of the entity are audited under any other statute, reconciliation statement can be drawn up by the same auditor, who will also certify the same or different auditor.

Where the financials are audited (under any other law), then there is no requirement to conduct yet another audit of the same financials for GST purposes. GST audit exercise can proceed with the remainder of the exercise to prepare the reconciliation statement as required in Part A and certify as required in Part B.

Where the financials are (somehow) not audited under any law, then these financials need to be audited for GST purposes apart from the exercise in Part A and Part B of GSTR 9C. Please note that there no guidance as to the 'terms of reference' for such a case. Given that this is a case that has come before a Chartered Accountant, his expertise will come to bear in providing a suitably audited financial statement to proceed with the Part A and Part B exercise in GSTR 9C.

The word "certify" indicates absolute level of assurance but GSTR 9C appears to be an amalgam of audit and certificate. As such, it appears to be a certificate of information in Part A that is validated based on applying methods of audit performed by the hands of an expert auditor. In other words, GSTR 9C could be referred to be a certification by way of audit or 'audit certificate'. Given the approach to audit mandated in ICAI, the assurances will be subject to the limitations inherent in such an exercise and disclosure is key so that revenue authorities will be able to appreciate and understand the dissimilarities in accounting of transactions due to accounting rules like accrual compared to peculiarities in GST such as time of supply, which may not always coincide but present some variations in the turnover in GSTR 9 compared income reported in financial statements.

Implications of GST Audit

- Where a review is undertaken periodically, the discrepancies would be noticed and corrective measures would be taken in a timely manner. Thus, it would lead to optimising credit availment as well as payment of tax / other outgoes.
- A periodic review of information such as computation of total and taxable turnovers, review of rates of taxes, proper application of relevant notifications, circulars, clarifications, Government orders and adherence to the tax compliances.
- Incorrect claims for tax benefits / exemptions would be filtered out, as tax professionals would be in a position to intimate the consequences of such practices and also bring out the systemic failures in their reports.
- It is customary to expect that the departmental audit are conducted long after the end of the financial year except in cases where investigations, inspections or special audits are taken up. Naturally, any levy of additional taxes either due to non-compliance or incorrect comprehension of the complex tax laws would result in taxes plus consequential interest and penalty.

Preparation for the GST Audit

Since this GST Audit would be undertaken for the first time, it demands significant preparation from the auditor as well as the Auditee. While the statutory audit (under the Companies Act) and tax audit (under the Income-tax Act) primarily rely on the financial records, GST audit would require coverage of a larger cluster of records. The GST audit requires deep understanding of the GST laws, IT infrastructure of the auditee, the method in which the GST portal operates, applicability of the various notifications, circulars, clarifications, classification of goods and / or services, the nature of supplies, the manner of availment of credits together with its allowability or otherwise, maintenance of various records and documents specified therein, requirements of reporting and source of information, understanding of the business of the auditee etc. Apart from these issues, it is imperative that an auditor understands the basic functioning of the e-governance model. The audit coverage of all these records and documents would need substantial amount of preparation and time.

To start with, the following (among others) are the various steps an auditor can take in connection with the forthcoming GST audit:

- (a) Inform the concerned assessee about the applicability of the GST audit;
- (b) Confirm eligibility to be GST auditor under guidelines issued by the ICAI;
- (c) Understand the nature of business, the products or services, requirements of records to be maintained, and advise the auditee to maintain accounts and records so required, beforehand;

- (d) Prepare a questionnaire to focus on key areas of operations / activities of the auditee, and specifically develop questions on those issues on which the GST law would have a bearing;
- (e) Preparation of the detailed audit program and list of records to be verified;
- (f) Obtain the relevant reconciliations.

Consequences of failure to submit the annual return and not getting the accounts audited

Section 47(2) of the CGST Act, 2017 provides that in case of failure to submit the annual return within the specified time, a late fee shall be leviable. The said late fee would be Rs. 100 per day during which such failure continues subject to a maximum of a quarter percent of the turnover in the State/UT. There would be an equal amount of late fee under the respective State/UT GST law.

However, there is no specific penalty prescribed in the GST Law for not getting the accounts audited by a Chartered Accountant or a Cost Accountant. Therefore, in terms of Section 125 of CGST Act he shall be subjected to a penalty of up to 25,000/-. This section deals with the general penalty that gets attracted where any person, who contravenes any of the provisions this Act, or any rules made thereunder for which no penalty is separately provided. Similar provision also exists under the State/UT GST law as well. There may be another view that since the return is to be accompanied with the report, if not done it may amount to non-filing of return and late fee may be levied and in that case the general penalty in terms of Section 25 shall not be levied.

Difference between a Certificate and a Report

Para 2.2 of the 'Guidance Note on Audit Report and certificates for Special Purpose' issued by the ICAI notes the difference between the term 'certificate' and 'report' as under;

- "A **Certificate** is a written confirmation of the accuracy of facts stated there in and does not involve any estimate or the opinion."
- "A **Report**, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditor's opinion thereon".

Thus, where a certificate is issued, the Chartered Accountant shall be responsible for factual accuracy of what is stated therein. In case of a report, he is responsible for ensuring that the report is based on the factual data, true and fair (or in some cases true and correct) to the best of his belief, knowledge and information furnished to him.

The word 'certificate' as described in the laws and regulations or even in the contracts that an entity might have entered into can normally be associated with reasonable assurance.

However, depending upon the circumstances and based upon the nature, timing and extent of the procedures which a practitioner can perform, the practitioner can conclude that a reasonable assurance cannot be expressed on the subject matter of the “certificate” and only limited assurance/conclusion can be given. The practitioner's procedures in case where reasonable assurance is to be expressed would be substantially different (and more extensive) from circumstances where limited assurance is to be expressed.

Audit of non-filers and Unregistered Persons

1. The word or expression **non-filer** has not been defined in the GST laws. A Non-filer is a Registered Person who is liable to file the **return or statement periodically** but has failed to do so. The heading in Section 62 of the CGST Act reads **Assessment of non-filers of returns**. It must be understood that headings are words placed at the head of a chapter, Paragraph etc., or at the front or top of anything. They do not have any legal significance.
2. A **non-filer** is a taxpayer who has not met his tax filing obligation by the due date of the return / statement or the approved extended due date. Non-filers and unregistered non-compliant persons are normally misunderstood to be of the same class, but they are different. The differences are given below:
 - An unregistered non-compliant person under GST is the person liable to apply and obtain **registration** but has failed to do so.
 - Non-filer is a person who is already registered and is therefore liable to file the **return/ statement** but has failed to do so.
3. Under Section 62 of the CGST Act, where a registered taxable person fails to furnish the return (non-filer), the proper officer may, after allowing a period of 15 days from the date of service of the notice under 46 of the CGST Act 2017, proceed to assess the tax liability of the person to his best judgment, taking into account all the relevant material which is either available on records or which he has gathered.¹
4. Under Section 63 of the CGST Act, where a taxable person (i.e. a person liable to take registration) fails to obtain registration, the proper officer may decide to assess the tax liability of the said taxable person to his best judgement for the relevant tax periods and issue an assessment order within a period of five years from the due date for filing of the annual return for the year to which the tax not paid relates to.
5. **Whether audit under Section 35(5) is applicable to Non-Filers or un-registered Persons liable to take registration?**

¹ Such persons would pay the tax liable with interest penalties. However he may not file the return, therefore GSTN needs to permit the future return filing process without filing the earlier return.

The audit under Section 35(5) of the CGST Act to be conducted by CA or CWA is applicable only to a Registered Person. A non-filer is a Registered Person under Section 25 of the CGST Act; the audit is required to be conducted under Section 35(5) of the said Act, if it satisfies the condition stated in the section.

However an unregistered Person who is liable to take registration under Section 25 of the CGST Act is a person who has to pay tax. But the said unregistered Person is not a Registered Person defined under Section 2(94) of the CGST Act 2017. Hence in terms of Section 35(5) of the Act, audit is not required.

6. Whether a non-filer or an unregistered Person can be subjected to any other Audit under GST?

Under Section 66 of the CGST Act, a registered person can be ordered to go for an audit by the department by nominating a CA or CWA in accordance with the conditions laid down in Section 66 of the said Act. Thus, a special audit cannot be conducted against an unregistered taxable person but can be ordered in respect of the non-filer.

Illustrations

- (a) M/s ABC have been holding the GST registration but have not filed the statement of returns in GSTR 3B. Notice is issued under Section 46 for failure to file returns. Even then, no returns are filed. In such a case, M/s ABC become 'non-filer'.
- (b) M/s XYZ, on registration have been filing statement of returns I GSTR 3B. However, Annual Return in GSTR 9 has not been filed. Proper Officer issues a notice for failure to file Annual Return within 15 days. Even then, no Annual Return is filed within the time permitted. In such a case, M/s XYZ become 'non-filer'.
- (c) M/s PQR's turnover during the financial year exceeds Rs.20 lacs and are liable to be registered under Section 22. They fail to obtain registration. In such a case, M/s PQR is not a 'non-filer' but one 'liable to register'.

A non-filer is a person who does not file returns or statements within due dates. But it is possible that his books and records reflect aggregate turnover beyond the threshold prescribed for audit under the GST laws. In such situations, the non-filer is required to get his books and records audited and mandated to file his annual return in GSTR 9 and the Reconciliation Statement in GSTR 9C. A non-filer may also be subject to special audit under the provisions of Section 66 of the CGST Act, 2017.

On the other hand, an unregistered person, even if his aggregate turnover exceeds the prescribed limit, is not required to get his accounts audited under Section 35(5) of the CGST Act, 2017.

Conclusion

The GST audit places a huge responsibility on the Auditor, and it is important that the Auditor is aware of the nature and complexity of the business / operations of the auditee. However, it is not one that the Chartered Accountant is not equipped to handle. Applying his expertise, knowledge of the law and insights into the business of the auditee will meet the expectations of the law. When an auditee approaches a Chartered Accountant for the first time, he must exercise due caution in assessing how compliant the auditee is, from a GST standpoint. It may be advisable that he prepares a suitable standard questionnaire (depending on the nature of business and facts and circumstances of each case) to become familiar with the business, modus of operation etc. It is important to bear in mind that / complicated questionnaire may not be effective, even if prepared for obtaining a comprehensive understanding of the business in question.

Chapter 2

Auditor and their Appointment*

Important points relating to the auditor

1. An understanding and analysis of the provisions of Section 35(5) read with Section 44(2) and other related provisions emerge the following facts:
 - (a) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited:
 - (i) by a Chartered Accountant; or
 - (ii) By a Cost Accountant.
 - (b) The registered person is required to submit electronically a copy of the:
 - ✓ audited annual accounts(of the legal entity);
 - ✓ annual return in the prescribed form **GSTR 9** (of the registered person);
 - ✓ reconciliation statement, duly certified, reconciling the value of supplies declared in the return furnished for the financial year along with the audited financial statement in **GSTR 9C (refer Appendix for GSTR 9C)**; and
 - ✓ such other particulars as prescribed;

On or before the 31st day of December following the end of the financial year. However, the same has been extended to 30th June, 2019 for the financial year 2017-18.

 - ✓ Such documents are to be submitted electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
2. In terms of Section 2(1)(b) of The Chartered Accountants Act (No. 38 of 1949) [as amended by The Chartered Accountants (Amendment) Act, 2006 (No. 9 of 2006) “Chartered Accountant” means a person who is a member of the Institute;
3. In terms of Section 2(2) of The Chartered Accountants Act [as amended by The Chartered Accountants (Amendment) Act, 2006] a Chartered Accountant in practice is

* **Note 1:** Reference may be made to the Compilation of Ethical Standard Board of the ICAI relating to GST Audit provided as **Appendix 6** for understanding the guidelines related to the ethical and professional conduct of the members.

* **Note 2:** Certain parts of this chapter have been extracted from a “Handbook on KVAT Audit, 2003 published by the Institute of Chartered Accountants of India.

defined as “A member of the Institute who shall be deemed “to be in practice”, when individually or in partnership with chartered accountants in practice, he, in consideration of remuneration received or to be received,—

- (i) engages himself in the practice of accountancy; or
- (ii) offers to perform or performs services involving the auditing or verification of financial transactions, books, accounts or records, or the preparation, verification or certification of financial accounting and related statements or holds himself out to the public as an accountant; or
- (iii) renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data; or
- (iv) renders such other services as, in the opinion of the Council, are or may be rendered by a chartered accountant in practice;

and the words “to be in practice” with their grammatical variations and cognate expressions shall be construed accordingly”.

Explanation: ~ An associate or a fellow of the Institute who is a salaried employee of a chartered accountant in practice or a firm of such chartered accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of articled assistants.

Chapter 3

Important Aspects for GST Audit of Multi-Locational Entities

I. Introduction

1. Registration, under the GST laws, is for an 'Entity' in respect of its supplies affected 'in' the State / UT. An 'Entity' may have as many registrations as the States that it operates 'in'. While the rules regarding determination of whether registration is required or not, is one aspect, a start can be made after such registrations have been obtained. Section 25(4) and 25(5) of CGST Act make it clear that each registrant is a 'distinct person' under the GST laws. Section 22 of the CGST Act also permits more than 'one registration' even within the same State / UT, either based on 'Business Verticals' or otherwise holding separate registration.
2. It is possible that a transaction that takes place between two branches of the same 'Entity' becomes liable to tax incidence due to the operation of the schedule I of the CGST Act. That is, transactions between two distinct persons (both belonging to the same Entity) would be a 'supply' transaction when those transactions fall within the purview of schedule I,

'2. supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business and

....

4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business;'
3. It is interesting to note that there are more than one kind of multi-location units to be considered, namely (among others):
 - (a) Registered branches in two different States / UTs;
 - (b) Registrants within the same State, as business verticals or otherwise;
 - (c) Business locations outside India;
 - (d) Branches in a State that are found liable to register but are not registered.

II. Analysis

- (a) When an Entity has registrations in more than one State / UT, each registrant is treated as distinct person in terms of Section 25 of the CGST Act. Each of these distinct persons is required to get its records audited under the GST Laws. It is important to note that following “Registrations” of the taxable person are not required to be audited:
- Input Service Distributor
 - A person paying tax under Section 51 or Section 52
 - A casual taxable person
 - A non-resident taxable person
- (b) In respect of persons in (a) to (d) cited in clause 3 of Para I supra, the following key issues are to be borne in mind during the conduct of the GST audit:
- (i) Each registered person (GSTIN-wise) is required to maintain books, records and other documents in accordance with Section 35 of the CGST Act. Difficulty arises when the principal place of business holds or maintains all the books and records. In this situation, it would be extremely difficult to “derive” specific transactions and reflect such transactions in the returns / statements to be filed. For instance, the books and records may not reflect stock transfer of goods between branches, whereas such data may be derived on the basis of delivery challans, e-way bills or such other documents maintained;
 - (ii) Another situation could be where common costs are required to be allocated. This could be done based on the turnover of each distinct person, or based on manpower deployed, or any other suitable cost-driver relevant to each such cost to be allocated. Manpower employed by the legal entity must also be allocated to belong to specific branch (GSTIN-wise allocation of staff cost);
 - (iii) It is common knowledge that several enterprises use infrastructure available in a centralized location or back-office support whether in respect of Information Technology, Finance, Accounting, Human Resource or Personnel, Corporate Management, etc. These costs are required to be allocated based on ‘end use’ than on turnover. However, an auditor must bear in mind that such allocation could also be a subject matter of valuation under the GST law and also have a bearing on transfer pricing regulations in Income-tax and SVB orders in Customs;
 - (iv) In respect of transactions with a branch, where the head office is registered whereas the branch fails to obtain registration, conducting an audit to ensure

completeness of the reporting by the registered head office without leaving any loose ends becomes onerous.

- (c) Key checks and balances:
 - (a) Extracting GSTIN-wise trial balance (duly validated that all such GSTIN-level trial balance add-up to the entity-level trial balance);
 - (b) Ensuring relevant GSTR 1 and GSTR 2A are matched, where applicable;
 - (c) Securing confirmation letters where GSTR 1 and GSTR 2A remain unmatched;
 - (d) Valuation of inter-locational transactions where there can be an input tax restriction in the hands of the recipient;
 - (e) Importantly, in respect of transactions relating to the import of services (where IGST becomes payable by the importer) and such transactions are subject to valuation by the GST authorities at a later date which have already been included in the cost of services provided to a customer. Change in the cost component due to valuation review can adversely impact the reporting results of the registered person. For example, HR services utilized by an Indian entity from an overseas provider.

III. Accounts of Locations

- (i) At the outset, the audit should be initiated by seeking a separate Trial Balance for the GSTIN under audit. A separate Trial Balance ensures identification of all transactions related to a particular GSTIN, of course, to the extent recorded in the books of accounts under GAAP. The Trial Balance can be generated by maintaining separate books of accounts for all locations, or it can also be generated from the specific marking for a Branch against every transaction. In case of separate Trial Balance for branches under a single GSTIN, the same may be consolidated to eliminate inter branch transactions within the same GSTIN. The relevant ledger accounts as per the Trial Balance should be reviewed with the records and documents maintained at the respective locations. The balances should be 'verified figures' declared in Form GSTR 1 and GSTR 3B of each GSTIN.
- (ii) The best option would be if the Auditor receives audited Trial Balance of each registered location. However, in case GSTIN wise audited Trial Balance is not available then an management-certified 'trial balance' of each registered location mapped with audited financials should be the base that ought to be considered for performing the GST Audit. It may even be advantageous to append this trial balance along with the entity level financials in Part B of GSTR 9C.

IV. Importance of registration wise transactions

There are many contracts which may be undertaken by a Legal Entity with a third party, whereas, its execution may require 'supply' from different locations. The inter play of supplies between branches is required to answer the correct tax payable or input tax credit availment / available for a taxable person. Transactions between different GSTIN of the same Legal Entity should be analyzed very carefully. They may consist of:

- Stock transfer of goods; and / or
- Cross utilization of services;

Stock transfer of goods may be easy to identify and can be cross verified through stock records, records for movement of goods etc., whereas, cross utilization of services may not be clear from financial records. This needs analysis of each Trial Balance. Analysis of the purpose of expenditure incurred for each Trial Balance may provide an indicative evidence for cross utilization of services. Also, segmental reporting as per Accounting Standard 17 may be a useful guide to identify such transactions. In case of inter unit transfer of goods / services an auditor needs to see that valuation has been carried out as per Rule 28 of the CGST Rules.

V. Cost sharing / Cross charge between branches

- (a) Section 7(1) (c) read with Schedule I of the CGST Act considers transactions between distinct persons as supplies even when such transactions do not involve supply. Accordingly, stock transfer of goods between branches being a transaction between distinct persons comes within the ambit of the GST Laws. Similarly, services between branches would also attract GST liability.
- (b) Audit of multi-location entities would require examination (among others) of the following:
1. Cost incurred commonly at or by the Head Office, such as Marketing and Brand Building Costs;
 2. Head Office could be providing support to branches, such as Centralized Accounting Services; HR Services etc.,
 3. Branches without billings to third parties;
 4. Branches with billings to third parties but all costs not met by branch;
 5. Credit flowing to branches that do not carry corresponding invoices. Please note that there is an apparent incentive to claim CGST-SGST credit at branches in a given State even though the invoice for the supply (to which this credit relates) may belong to another State;

6. Identification of branches which have not been registered;
7. Identify 'location of employment' of all employees and then map their costs and invoices in each branch;
8. E-Way bill to track supplies which have been marked as stock transfers;
9. Credit of 'State A' availed in 'State B' especially in cases where the place of supply is State B (E.g. Accommodation Services of the employee of 'State A' availed as credit in 'State B');
10. Basis of bifurcation of credits into ISD;
11. Valuation of Supply especially when credits are not available in the hands of the receiving Branches.

VI. Cross Charge versus Input Service Distributor

- (i) Cross charge is for supply of services from one unit to another in terms of common functions undertaken by such Branch/es. Thus, it is an allocation of common functions to different branches. However, Input Service Distributor is defined in Section 2(61) of the CGST Act to mean an Office of the supplier of goods or services or both which receives tax invoices issued under Section 31 of the said Act towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of GST on the said services to another branch of the same legal person.
- (ii) Thus, while ISD is merely distributing the credit of invoice of input services relating to services received by another branch but invoice of which is received by the ISD, cross charge is a broader concept, where the location that received goods and services in its own capacity uses such resources for provision of common support functions of the entity and thus, supply such support functions to other units. A choice of ISD or cross charge is material from the perspective of maintenance of books of accounts as well as reconciliation thereof.

VII. Conclusion

On the basis of the concepts stated in this write-up an auditor must bear in mind that a lot many issues that may arise in a real time business environment. Adequate checks and balances must be employed to exercise caution and care while reporting such transactions. Attention of the reader is also invited to the Advance Ruling in the case of Columbia Asia Hospitals Private Limited vide KAR ADRG 15/2018 dated 27th July, 2018 which would be useful in taking decisions while keeping in mind that Advance Authority Rulings are not binding on the registered taxpayer other than the party in respect of which the Advance Ruling is given.

Chapter 4

Analysis of GSTR-9C

Introduction

Form GSTR 9C is the relevant form prescribed in terms of Rule 80(3) of the CGST Rules. It has two parts: Part A is the “Reconciliation Statement” and Part B is the ‘Certificate’. Part A which comprises the form of reconciliation statement contains 5 Parts containing various tables serially numbered. Part I captures the basic details of the Registered Person under Part A (Reconciliation Statement) which has 4sl. no., each of the sl no. is significant in terms of the disclosure requirement.

Comparative view of Form GSTR-9 and GSTR 9C

Sl. No.	Return in GSTR 9	Statement in GSTR 9C
1	It is the report of a formal or official character giving information	Means the formal statement to be made under the provisions of the Act, the veracity of which needs an enquiry as to its correctness
2	Prescribed under a Statute	Prescribed under a Statute
3	To be filed by all registered persons	To be filed only if the aggregate turnover in a financial year exceeds Rs. 2 Crores.
4	No threshold limit	Subject to threshold limit
5	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct taxes under Section 51 and persons required to collect taxes under Section 52.	Not required to be filed by a Casual Taxable Person, Non-Resident Taxable Person, Input Service Distributor, Unique Identification Number Holders, Online Information and Database Access Retrieval Service, Composition Dealers, persons required to deduct taxes under Section 51 and persons required to collect taxes under Section 52.
6	No need to annex financials	Financials are to be annexed
7	a. A plain reading of the relevant provisions indicate that the said Annual Return in GSTR 9 and the Reconciliation Statement in GSTR 9C must be filed together. However, if one has to peruse GSTR 9C there are certain tables which state that “turnover as declared in annual return” indicating thereby that GSTR 9C is	

	dependent on GSTR 9. This anomaly can be addressed only on the basis of the finalized annual return initialled and presented to the GST auditor by the registered person.
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PART – A -Reconciliation Statement		
Pt. I	Basic Details	
1	Financial Year	
2	GSTIN	
3A	Legal Name	<Auto>
3B	Trade Name (if any)	<Auto>
4	Are you liable to audit under any Act?	<<Please specify>>

Instructions	
<i>(given along with the form in the relevant notification)</i>	
•	It is mandatory to file all your FORM GSTR-1, FORM GSTR-3B and FORM GSTR -9 for the FY 2017-18 before filing this return. The details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately.
•	The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.

Analysis

PART-I - Sl. No. 1: Financial Year

This Sl.No. requires disclosure of the “financial year” to which the Reconciliation Statement in Part A relates to. The expression financial year has not been defined under the GST laws. However, in terms of the General Clauses Act “financial year” shall mean the year commencing on the 1st day of April and closing on the 31st day of March. It is important to understand the meaning of the expression “financial year” in the first year of the GST regime because the GST laws came into operation on the 1st day of July, 2017. For all intents and purposes, for the financial year 2017-18, the GST Laws was applicable only for nine months commencing from July 2017 to March 2018. So, in this Sl. No. one may mention “2017-18” (9 month commencing 1st July 2017 and ending on 31st March, 2018).

Part I - Sl. No. 2: GSTIN

- (i) GSTIN means the “Goods and Services Tax Identification Number” of the tax payer or the registered person. Each tax payer, on his successful registration, would be assigned a State-wise PAN based 15-digit GSTIN. .

The importance of verification of the GSTIN is paramount. .

Part I - Sl. No. 3A and 3B: Legal Name and Trade Name

1. The word “trade” used in Sl. No. 3B of Part A may not be limited to occupation or business. It could be a connotation. The word “trade” ought to be understood in its ordinary sense, without any reference to “business”. For instance, “Indigo” could be a trade name while the legal name is “Inter Globe Aviation Limited”. Likewise, “Chancery Pavilion” is a trade name and “Elixir Enterprises and Hotels Private Limited” is a legal name.
2. Therefore, as understood, trade name is used by trade and industry to identify their businesses symbolizing their reputation. Caution must be exercised in listing the trade name and legal name in Sl. Nos. 3A and 3B.
3. It is possible that some Registered Persons may not have a trade name. In such situations, Sl.No. 3B of Part A would not be applicable. Therefore, NOT APPLICABLE may be stated in Part A which could be verified from the <<auto populated>> data.
4. The legal name and trade name ought to be verified with the certificate of registration issued by the tax department in Form GST REG – 06. Similarly, if the Registered Person is a company registered under the Companies Act, 2013, the legal name / trade name can be verified with the Certificate of Incorporation and in case of partnership firm by the certificate issued by the Registrar of Firms.

Notes to consider

- (i) Legal name in the documents under other statute does not match the legal name on the registration certificate.
 - (ii) Trade name is not disclosed on the registration certificate.
5. Any discrepancy in the “Trade Name” and “Legal Name” may necessitate an amendment under the appropriate law. E.g. the name of the Company in the Certificate of Incorporation is “XYZ Advertising Private Limited” whereas in the certificate of registration under GST it could be “XYZ Advertising Limited” which would require an amendment bearing in mind the correct name, which is the Certificate of Incorporation in this case.

Conclusion

Therefore, the distinction between a trade name and a legal name must be clearly understood and borne out in Sl.No. 3A and 3B of Part A, and should not be used interchangeably. The details sought at Sl.No. 1, 2, 3A and 3B are common for GSTR 9, GSTR 9A and GSTR 9C and hence the write up would equally apply to these S.No's. Trade Name and Legal name are auto-populated.

Part I - Sl. No. 4: Are you liable to audit under any Act?

The Sl. No. "Are you liable to audit under any Act?" mentioned in GSTR 9C needs elaboration. It is possible that an entity could be subjected to audit under several statutes. For instance, a Proprietary Concern could be subject to audit under the Income tax Act, 1961 and a Private Limited Company could be subject to the statutory audit under the Companies Act, 2013 as well as under the Income tax Act. Similarly, a society registered under the Societies Registration Act may be subject to audit under that Act as well as under the Income tax Act. This fact must be specified in Sl. No. 4.

Part II: Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR 9)

This Part seeks to reconcile the gross turnover in terms of audited financial statements with the turnover declared in the annual return. Importantly, in the table in Part II, all the streams of the income need to be duly reconciled (reflected appropriately) in each of the Sl. Nos. Auditor is required to exercise due care while carrying out this reconciliation exercise. This is because he may have to consider the schedules, groupings, notes, disclosures, qualifications etc., of the Auditor who certifies/attests the audited financial statements. In cases where the financial statements are audited by another person, the GST Auditor may have to fall back upon the working notes made available to him.

Part II - Sl. No. 5A: Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)

Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)	
5	Reconciliation of Gross Turnover	
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)	

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.

Introduction

Sl. No. 5A is intended to report the turnover as per the audited Annual Financial Statement for a GSTIN. There may be cases where multiple GSTINs (State-wise) registrations exist for the same PAN. This is common for persons / entities with presence over multiple States or in respect of multiple registration in a single State/UT. The Government vide its instructions has indicated that such persons / entities would have to internally derive their GSTIN wise turnover and provide to the Auditor to verify and declare in this Sl. No.

The Auditor must bear in mind that in a real business environment several entities may not be in a position to provide such derived turnovers. In such a situation, the Auditor has to be involved in carryout or supervising this exercise directly. A bird's eye view of how this exercise is to be carried out is provided in Section 1 of this book.

Analysis

In case of a registered tax payer having single GSTIN, statement of profit and loss account (or income and expenditure account) read together with the corresponding notes and the Balance Sheet would form the primary basis for this Sl. No. In cases where a registered tax payer has multiple registrations, information must flow from trial balance of the respective GSTIN.

Turnover to be declared under this Sl. No. must flow from the 'audited financial statements' even if such turnover consists of adjustments/ revenue recognition on account of a requirement of an Accounting Standard (E.g.: AS 7 in case of 'Construction Contracts'). It **cannot and must not** include "Deemed supplies under Schedule I" as Sl. No. 5D separately covers such adjustments.

While considering the turnover from the audited financial statements, the Auditor is also required to include indirect income in the form of dividend, interest, forex fluctuation, profit on sale of assets, etc. if such income are attributable (based on underlying documents and contracts to relate to the said registered person). Any amount of return supplies credited to purchase or expenditure account would not be considered for the purpose of arriving at the turnover under Sl. No. 5A. Such adjustment has been dealt with under appropriate Sl. No. in this Part.

This Sl. No. requires the Registered Person to declare '*turnover for the State/UT*' (to be understood as 'turnover in State/UT' as defined u/s 2(112) of the Act) as per **audited financial statements**. Further, term '*audited financial statements*' has not been defined in the Act. For discussion on the audited financial statements you may refer to Section I of this book.

The turnover in State/UT to be disclosed includes all (whether taxable, zero rated or not) supplies effected by the Registered Person from the State/UT (GSTIN wise). Some experts are of the view that the turnover of the foreign branch/office of the registered person, which controls those operations and maintains oversight, must be declared under this Sl.No. although the same will be excluded while computing taxable turnover of the registered person. In cases of multiple GSTINs, such turnover (of overseas branch/office) may need to be reported in the GSTIN which controls the foreign office. This would suitably be reflected and reconciled with the gross turnover of the entity.

Since the information has to be in the context of each registrant, the Registered Person and the Auditor must be equipped to file the said Form separately for every registration. The Registered Person must be able to carve out a trial balance for every State/UT (viz. every registration) from the consolidated trial balance of the entity for which the financial statements are prepared and audited. If this is not possible, then the Registered Person must derive the transactions of every registration from the single trial balance for the entity which was the subject matter of audit.

It is possible that different Auditors are appointed for certifying GSTR 9C for different registrations of the entity. As multiple Auditors are involved in certifying the GSTR 9C, the Registered Person and every Auditor must ensure that the turnovers declared by different Auditors must reconcile and add up to the total turnover of the entity as per the audited financial statements. Drawing analogy from SA 299 on "*Responsibility of Joint Auditors*", an Auditor must communicate with the other Auditors to obtain details of turnover declared by them. Alternatively, a suitable management representation may be obtained from the entity that such turnovers declared by different Registered Persons aggregate to the audited financial statements. Such an exercise would also be required where multiple registrations are obtained within the same State / UT for different business verticals. An Auditor must also exercise caution while applying the requirements of Accounting Standard 17 on "*Segment Reporting*" or Ind-AS 108 on "*Operating Segments*" as the case maybe, which requires Companies to disclose various segments of the entity. Such disclosures made by the entity in the Financial Statements would be helpful in deriving the turnover of the entity amongst various business vertical(s).

Turnover in State/UT includes export of goods, services or both effected from that State/UT. Care must be taken not to include the inward supplies received by the Registered Person on which tax has been paid under reverse charge (RCM). Like the tax paid under RCM cannot

become output tax, inward supplies on which tax is paid under RCM cannot become outward supplies viz. turnover.

Checks and balances to validate correctness and completeness:

To ensure completeness and correctness of the details of turnover to be declared under this Sl. No, the following checks could be used:

1. turnover in State/UT (in case of single registration) must reconcile to the turnover disclosed in the audited financial statements;
2. turnover in State/UT (in case of multiple registration) must reconcile to the turnover as recorded in the books of accounts of each registration;
3. Master reconciliation to ensure that the details of turnover declared for different registrations (in case of multiple registrations either due to presence in multiple States/UTs' or due to unit(s) in SEZ) with the total turnover of the entity

Precautions:

While declaring the turnover details, the following precautions could be adopted:

1. Understanding how the accounts have been derived by the Registered Person and ensuring their correctness. In situations where multiple registrations are obtained in the State/UT due to different business verticals or unit(s) in SEZ, the accounts must be specifically examined as there could be errors/ mistakes/ accounting mismatches (E.g. turnover of one registrant could be accounted as turnover of another registrant). Though the financial statements would not have any impact for the entity as they are mutually cancelling each other, these mistakes must be rectified as they would affect the reported turnover of the respective Registered Person.
2. The audit has to ensure that the inter-unit / branch accounts are reconciled at the end of the year for verifying their correctness and completeness. The Auditor is also required to ensure that wherever revenue is transferred from branch accounts to the head office accounts (and vice versa), while computing the turnover of the head office, the same shall not be reckoned twice in this Sl. No.
3. Care must also be taken that transactions that are rightly inter-branch supply of services or cross-charge of services, they are often treated as ISD supplies and credit is distributed with same HSN. There may be serious non-compliances if such interchange occurs especially involving Head Office or Registered Office and other Branches.
4. However, in case only one trial balance is maintained for the entity, even though it has multiple GSTINs, the Auditor is to ensure that the data of turnover is extracted GSTIN-wise and at the consolidated level it matches with the audited financial statements.
5. Ensure to communicate to the other Auditors of the Registered Person furnishing this

reconciliation for other States/UTs' to work out a thorough reconciliation of turnover to be declared.

List of documents:

The following list of documents could be obtained by the Auditor for the purpose of declaring the details of turnover under this Sl. No.:

1. Audited financial statements for the FY to derive the total turnover of the Registered Person;
2. Registrant-wise trial balance to facilitate furnishing the Form GSTR 9C for each registrant;
3. Communication with the other Auditor to obtain details of the turnover declared by them to ensure completeness and holistic reconciliation of turnover of the Registered Person;
4. GSTR 9 along with supporting GSTR 3B and GSTR 1 returns filed by the registered person to ensure that the turnover declared in the returns match the turnover captured in the audited financial statements
5. Income tax Returns (ITR) to ensure that the turnover details are reconciled with the turnover per GST.

Disclosure:

Notes to reconciliation may contain disclosure regarding certain limitations inherent in this exercise:

- In line with the ICAI Regulations, the Auditor must suitably disclose the fact that he has relied upon audited financial statements attested by another Auditor
- In case where the Registered Person is not required to get the accounts audited under any other law, the reasons for the same may be mentioned.

Sl. No. 5B. Unbilled revenue at the beginning of Financial Year

5B	Unbilled revenue at the beginning of Financial Year	(+)	
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Table No.	Instructions
5B	<p>Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here.</p> <p>(For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)</p>

Introduction

To comprehend the scope of this Sl. No., there is need to understand the concept of 'Unbilled revenue'. In simple terms, unbilled revenue is the revenue recognized in the books of accounts before the issue of an invoice at the end of a particular period. Accounting Standard-9 / IND AS 115 provides for recognition of revenue on full completion / partial completion of the services though the due date for issuing invoice as per the contract would be on a later date. It is advisable to refer to AS-9 / IND AS 115 for a better understanding of the concept.

Clause 5B requires the addition of unbilled revenue at the beginning of a Financial Year. Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the earlier financial year for which the invoice is issued under the GST law is required to be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized as income in the earlier year), the value of such revenue is to be declared here.

Analysis

Unbilled revenue would appear in the profit and loss account of the previous year. For information of unbilled revenue at the beginning of a Financial Year, reference may be made to previous year's audited financial statements. However, as the GST was introduced from 1st July 2017 one needs to be careful to exclude invoices raised during the period April 2017 to June 2017 from the computation. The expression 'financial year' for 2017-18 has already been explained above to be of 9 months, commencing 1 July, 2017, the value under this clause must be reckoned as at 1 July 2017.

Please bear in mind that where a different view is taken, that is, data as at 1 April 2017 is reported in this clause, then the adjustments in 5G should suitably give effect to the corresponding effect of this view taken. Following 1 July 2017 is advisable as transactions between April to June 2017 will not be GST-impacting and need to be excluded from the GST reconciliation.

In case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

➤ Validation of information

Under the GST, the liability to pay tax arises upon supply of services as per Section 9 of the CGST Act at the time specified under Section 13 of the Act. As per this section Act, the time of supply of services shall generally be:

- (a) The date of **issue of invoice** by the supplier (if the invoice is issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier.
- (b) The date of **provision of service** (if the invoice is not issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier.

- (c) The date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two provisions do not apply

As per Section 31(2) an invoice for supply of services needs to be issued before or after the provision of service but not later than thirty days from the date of provision of service. From the above it is clear that, if the supplier does not receive money in advance, he gets 30 days' time from the date of provision of service to raise invoice and collect tax on the same. Therefore, there would be a timing difference in the recognition of revenue in the books of accounts and the GST provisions. Because of this, Sl. No. 5B is necessary to reconcile the revenue between the books and the GST returns.

Further, it would be useful if the information is maintained in the tabular form:

Particulars	Amount (Rs.)
Opening balance of unbilled revenue as on (1 April 2017 or) 1 July 2017	XXXX
Less: Invoice raised during the period April 2017 to June 2017	(XXXX)
Less: Invoice raised during the period July 2017 to March 2018	(XXXX)
Add: Unbilled revenue recognized as on 31 st March 2018	XXXX
Closing balance of unbilled revenue as on 31 st March 2018	XXXX

Another aspect to note in the opening unbilled revenue for the year 2017-18 is to reconcile the same with the transition declaration filed under Section 142(11) in GSTR Form TRAN 01. Section 142(11) deals with overlapping transactions or transactions having relevant events in both the erstwhile law and the GST.

Illustration

In some situations, unbilled revenue may arise, (Please note that what would appear in Sl. No. 5B would only be the transactions for which invoice is raised during July 2017 to March 2018):

- Representation services provided on 25th of March for which invoice is raised on 5th of April would be recognized as unbilled revenue. However, this would not be part of Clause 5B as this transaction is of the period April 2017 to June 2017.
- IT/ITES services provided for the month of March 2017 for which invoice is raised on 1st of July 2017 as per the terms of contract would be recognized as unbilled revenue.
- Fixed landline charges for the month of March would be recognized as unbilled revenue to the extent of billing cycle in the subsequent month/quarter.
- Rental contract for which billing is on 20th of every month, unbilled revenue would be recognized in the books of accounts as on 31st March to the extent of 11 days of services provided in March.

5. Maintenance contract for which billing is on 5th of the subsequent month, unbilled revenue would be recognized in the books of accounts as on 31st March.
6. Cost incurred as on 31st March towards construction services for which billing would be done on reaching the milestone in September 2017.
7. In the case of cost-plus companies, if any cost is excluded from billing cycle during the financial year and is identified at the time of Audit, it would be booked as unbilled revenue in the books of accounts and invoice would be raised in the month in which it is identified i.e. September or October 2017.

Notes to consider/control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Reconcile with corresponding declaration made under 142(11) in GSTR TRAN 01;
- Must be vouched / checked with notes to accounts in the Balance Sheet (PY and CY);
- Notes to GSTR FORM 9-C may be drafted for this Sl. No. as to the manner of its quantification from the books and records and correlated with returns filed in GSTR 3-B;
- Cross link with corresponding item in GSTR 9 – Part III Sl. No. 6K;
- Invoices raised during April 01, 2017 to June 30, 2017 to be excluded and reconciled with GSTR TRAN 01;
- Adequate attention of the reader must be drawn to “Notes on accounts” and “Significant Accounting policies” in cases of entities which need to adhere to Statutory Audit provisions under the allied laws.

Disclosure

Reliance has been placed on the audited financial statements for determining the unbilled revenue and no separate exercise is conducted to validate the same.

Sl. No. 5C: Unadjusted advances at the end of the Financial Year

5C	Unadjusted advances at the end of the Financial Year	(+)	
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Table No.	Instructions
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.

Sl. No. 5I: Unadjusted advances at the beginning of the Financial Year (-)**Introduction**

The scope of Part II Sl No. 5C and 5I is to make adjustment of Unadjusted Advances to Audited Financials for arriving towards the GSTR 9 turnover.

Analysis

It is a business practice to collect advances from customers before effecting supplies. When an advance is received, since the goods and / or services would not have been delivered / rendered, the revenue is not yet earned, whereby this advance would be recorded as a liability (either as current liability or long-term liability) in the balance sheet as at the end of the financial year.

For Supply of Goods

Section 12(2): The time of supply of goods shall be the earlier of the following dates, namely: —

- (a) the date of issue of invoice by the supplier or the last date on which he is required, under sub-Section (1) of Section 31, to issue the invoice with respect to the supply; or
- (b) *the date on which the supplier receives payment with respect to the supply:*

The Government issued Notification No. 40/2017-CT dated 13th October 2017 in terms of Section 148 of CGST Act to permit Registered Persons having aggregate turnover less than Rs. 1.5 crores from paying tax on such advances. This facility was extended to all Registered Persons without threshold limit vide Notification No 66/2017-Central tax, dated 15th Nov 2017 but only in the case of supply of goods.

In terms of the above notifications, an Auditor has to examine whether the Registered Person has paid tax on advances till 15th Nov 2017.

For Supply of services

Section 13 (2): The time of supply of services shall be the earliest of the following dates, namely: —

- (a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under Section 31 or the date of receipt of payment, whichever is earlier; or
- (b) the date of provision of service, if the invoice is not issued within the period prescribed under Section 31 or the **date of receipt of payment**, whichever is earlier; or
- (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply:

Explanation—For the purposes of clauses (a) and (b)—

- the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment;
- “the date of receipt of payment” shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.

Therefore, any advances received from customers before the date of supply, on receipt of advance, GST have to be discharged

Reporting in the GST

(a) Calculate tax on the Advance Received:

One has calculated tax on advance and paid tax while filing the return for that month. The advance received (if exclusive of tax) would be considered as cum-tax. Two important points to note:

- (a) Whenever the rate of tax cannot be determined during receipt of advance, GST @ 18% has to be charged.
- (b) Whenever the nature of supply cannot be ascertained, the advance is considered as inter-State supply and IGST has to be paid.

For Example:

Mr. A enters into a works contract for Rs. 10, 00,000 on 15th March 2018. He receives Mobilization advance of Rs.5 lacs without any GST component on the same date. Now, as on 31st March 2018, GST has to be discharged for this Rs. 5 lacs as follows:

Taxable value	$118/100*100$	423729
GST	$118/100*18$	76271
Transaction value	118	500000

Reporting in GSTR 1

Rate	Gross Advance Received/adjusted	Place of supply	Amount			
			Integrated	Central	State/UT	Cess
1	2	3	4	5	6	7
I. Information for the current tax period						
11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)						
11A (1). Intra-State supplies(Rate Wise)						
11A (2). Inter-State Supplies(Rate Wise)						
11B. Advance amount received in earlier tax period and adjusted against the supplies being shown in this tax period in Table Nos. 4, 5, 6 and 7						
11B (1). Intra-State Supplies (Rate Wise)						
11B (2). Inter-State Supplies(Rate Wise)						

From the accounting perspective, advances received would be considered Income received in advance and would be carried as a Liability in the Balance Sheet. This becomes Revenue only after supply.

Hence, there would be an adjustment in GSTR 9C 'UNADJUSTED ADVANCES'.

1. It must be acknowledged that the turnover of the FY 2017-18 as per the audited Financial Statement would not include advances received.
2. Whereas this amount would have been offered to tax and reflected in annual return GSTR 9.
3. In order to reconcile these two, since the advances are included in the GST turnover, any unadjusted advances at the end of the Financial Year 2017-18 shall be added to the turnover of the FY 2017-18 as taken in Clause 5A in order to nullify the effect and to arrive at the turnover of GST.

Advances received would be for various purposes. Therefore, only Advances on which GST is liable should be considered for adjustment.

Include for Adjustment

Sl.No.	Particular's	Reason
1.	Advance received for services as on 31 st March 2018	Revenue not recognized in books, but offered to tax for GST
2.	Advance received for Goods before 15 th Nov 2017 and the supply of goods not complete as on 31 st March 2018	Revenue not recognized in books, but offered to tax for GST

Do NOT Include for Adjustment

Sl.No.	Particular's	Reason
1.	Advance received for EXEMPTED services as on 31 st March 2018	GST is not applicable
2.	Advance received for Goods after 15 th Nov 2017	GST is not applicable
3.	Financial Advances received (loan)	NOT a GST Transaction
4.	Deposits received	GST is not applicable

1. Revenue Recognition Policy as per Accounting Standard

Accounting Standards of AS 9 (Revenue Recognition) and IND AS 18 (Revenue) follow the matching concept of revenue to expenses. Accordingly, the Accounting Standard stipulates the policy for revenue to be recognized in the case of

- (a) Goods
- (b) Services

2.1. AS 9

As per AS 9, revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from rendering services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them.

2.1.1. Revenue from sale of goods as per AS

A key criterion for determining when to recognise revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognised at the time of transfer of significant risks and rewards of ownership to the buyer

2.1.2. Revenue from rendering of services as per AS

Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

Proportionate completion method— Performance consists of the execution of more than one

act. Revenue is recognised proportionately by reference to the performance of each act. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognised on a straight-line basis over the specific period unless there is evidence that some other method better represents the pattern of performance.

Completed service contract method—Performance consists of the execution of a single action. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed till the execution of those actions. The completed service contract method is relevant to these patterns of performance and accordingly revenue is recognised when the sole or final act takes place and the service becomes chargeable.

2.1.3. Ind AS 18

As per Ind AS 18, revenue includes only the gross inflows of economic benefits received and **receivable** by the entity on its own account. It shall be measured at the **fair value of the consideration received or receivable**.

2.1.4. Revenue from sale of goods as per Ind AS

Revenue from the sale of goods shall be recognised when **all** the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction would flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.1.5. Revenue from rendering services as per Ind AS

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction would flow to the entity;

- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) the costs incurred for the transaction and the cost for completion the transaction can be measured reliably.

During audit/certification, it would be relevant for the Auditor to take note of the revenue recognition policy adopted by the Registered Person and its impact for arriving at the values to be disclosed under this heading.

As per Instructions, the value of all advances for which GST has been paid but has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.

The following are the control checks that an Auditor should perform for validation of the amounts reported under this head:

1. For a clear demarcation of unadjusted balances i.e. 11A – 11B of GSTR-1 should be computed
2. Balance as per the books of accounts to be arrived as per the methodology
3. If the amount mentioned in Clause No. 1 above does not match with Clause No. 2, a GST Auditor should adopt advances received as per books.
4. Generally, a Trial Balance is prepared entity wise and thereafter the financials are segregated for the profit and loss account and the Balance sheet items GSTIN wise.

Information reported in GSTR 1 may not be required to be adopted at face value, whereas, an Auditor has to cross check the data which is available in the Trial Balance.

Suitable Management representation letter has to be obtained since this information is not available on the face of financial statements.

Source of information

- (a) All information reported here must flow from GSTR 1. As such, the working notes for the preparation of GSTR 9 would involve summation of data from GSTR 1 filed for Jul 2017 to Mar 2018, whether reported during 2017-18 or 2018-19 (up to March 2019) as well as any advances which were not reflected in those returns. Reference may be made to Notification No 44/2018-CT dated Sept 10, 2018 which enables the filing of GSTR 1 returns for the period upto September 2017 till 31 October 2018.
- (b) Books of Accounts
 - (a) Audited Financial statements
 - (b) Break up of Short Term and Long-Term Current Liabilities
 - (c) Groupings which include income received as advances or advances from customers.

- (d) Documents underlying sourcing the nature of receipts as to Goods and / or services.
- (c) GST Returns
- (a) The sum of 11A of GSTR-1 Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)
- (b) The sum of 11B of GSTR-1. Advance amount received in an earlier tax period and adjusted against the supplies shown in this tax period in Table Nos. 4, 5, 6 and 7
- (c) Net Advances received but not adjusted for supply a - b

Validation

- (a) The value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.
- (b) Even if not considered in the returns GSTR 1 and GSTR 9, the same shall be added as turnover here.

Sample Transactions in 2017-18 (based on the illustration cited above)*On Receipt of Advance*

Bank Account A/c Dr.	5,00,000		Balance Sheet Current Asset
To Party A/c Cr. (or) To Advance from Customer		5,00,000	Balance Sheet Current Asset or Balance Sheet Current Liability

On Filing of GSTR 1 Table 11A

GST on Advance A/c Dr.	76,271		Balance Sheet Current Asset
To GST Liability A/c Cr		76,271	Balance Sheet Current Liability

Sample Transactions in 2018-19*On Provision of Services (actual billing)*

Party A/c Dr	11,80,000		Balance Sheet Current Asset
To Sales A/c Cr.		10,00,000	Profit and Loss Account Income
To IGST Liability A/c Cr.		1,80,000	Balance Sheet Current Liability

On Filing of GSTR 1 Table 11B – Reversal of Liability

GST Liability A/c Dr	76,271		Balance Sheet Current Liability
GST on Advance A/c Cr.		76,271	Balance Sheet Current Asset

These reversal entries prevalent throughout the year, are reversed usually at the end of every month. Thus, the only entry which is to be given effect for reconciliation between Audited Financials and Annual Returns is the unadjusted entries that are lying at the end of the financial year.

Audited Revenue as per 5A	xxxxx

Add: 5C Unadjusted advances at the end of the Financial Year	4, 23,729

5P Annual turnover after adjustments as above	xxxxx

Notes to consider

Some of the common errors might be

- Considering the total advances irrespective of the fact that it is for exempted supply;
- Ignoring the advances for goods for the period up to 15th October 2017 which is remaining to be supplied in this computation;

Additional notes to consider

- Amendments made to GSTR 1 Table 11 in the subsequent financial years
- Advances received from customer could be credit ed to Sundry Debtors account or separately under Current Liabilities,
- Advances where GST is not payable need to be identified and excluded (as illustrated supra, Advance for Goods, Advances for Exempted services)
- Advances which are in the nature of Financial Transactions (loan) are to be ignored.

Conclusion

Reporting of Unadjusted Advances is an important aspect of the audit. The Auditor may have to examine the trial balance and financial statements in order to ascertain such advances.

SI. No. 5D. Deemed Supply under Schedule I

5D	Deemed Supply under Schedule I	(+)	
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Table No.	Instructions
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.

Introduction

Clause 5D seeks to cover aggregate value of four classes of deemed supplies transactions specified under Schedule I of the CGST Act. Any deemed supply which is already reported as part of the turnover in the audited Annual Financial Statements is not required to be included in this Sl. No. But care is to be taken to identify from the nature of operations and the number of registrations obtained by the legal entity whether any of the four classes of deemed supplies would be attracted. And if so, the same is to be reported here.

Analysis

As the requirement of this Sl. No. is to report the transactions which were not reported in the financial statements, though the same are reported in the returns filed since they are treated as deemed supplies under the GST law, there is no direct source will indicate the value of deemed supplies under any part of the returns or statement filed. Details regarding this have to be extracted from the books/records.

E-Way bills raised would be a good guiding factor to identify such instances in respect of goods while an Auditor may have to delve deeper to understand the transactions relating to services. For instance, transactions relating to stock transfer of goods may be extracted from delivery challans or on an analysis of e-way bills, whereas transactions of service transfers will be based on an understanding of the nature business.

Since this information may not be readily available from books, it might be relevant for the Auditor to design his audit/verification program to include possible deemed supply transactions to ensure the proper reporting of this aspect. Though it is possible for the Auditor to envisage most of the scenarios, it is better to take proper management representation for the completeness of these transactions.

The Auditor should look beyond the books of accounts and look for alternative evidence and information for reporting in Sl.No. 5D.

1. *Permanent Transfer or disposal of business assets where input tax credit has been availed on such assets*

Of the 8 forms of supply, the only forms that qualify as supply under this category are 'transfer' or 'disposal'. Therefore, any transfer or disposal of business asset needs to be verified from the Fixed Assets Schedule and reported here. All discarded/sale of assets would find mention in the disposal of Assets column in the Fixed Assets register / schedule and this would be a good indicator to ascertain if tax has been calculated on such disposals.

Donated Assets too are subject to the GST. Certain other examples would be the decommissioning of an entire plant, impairment of assets, assets taken by a proprietor on completion of their useful life (computer taken by the proprietor) etc. In each such

cases, the Auditor has to carefully check if input tax credits have been availed and if they have been, then such transactions would attract the levy of GST. Where such assets have been procured under the old law and have been discarded, destroyed, transferred or disposed of in the GST regime, then the transaction would be deemed to be one of supply and attract levy.

2. *Supply of goods or services or both between related persons or between distinct persons as specified in Section 25, when made in the course or furtherance of business:*

For a detailed discussion on the conduct of audit of multi-location entities, please refer to Chapter 4.

Gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

The Auditor must also remember to determine whether such a gift is a unilateral act of the employer to an employee. It should not be relatable to the terms of employment or supply. For example, a software engineer who has achieved a particular milestone, may be gifted a car (which is not relatable to the terms of employment). Such a transaction would be one of deemed supply and will attract the levy of GST.

Intra-Company transactions:

Intra-Company transactions such as stock transfer, which are taxed in the GST regime in case of inter-state supplies or between different business locations within the same State where separate registration has been obtained under the GST law, are not taxable supplies of the Company. But this Sl. No. in Schedule I deem such transactions as those which attract payment of taxes. The effect of these transactions gets nullified at the consolidated financial statement level and therefore, identifying and reporting of such transactions for audit purposes would require special attention. Valuation for stock transfers would not be an issue so long as the tax paid by the supplier on such stock transfers qualify as input tax credit in the hands of the receiving branch. However, if the tax paid on such stock transfers do not qualify as input tax credit, valuation in terms Section 15 of the CGST Act read with Rule 27 to 35 of the CGST Rules would have to be factored.

3. *Supply of goods-*
 - (a) *by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or*
 - (b) *by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.*

In case of consignment or agency transactions, the reporting in terms of this Sl. No. are

to be reflected as outward supplies in the hands of the Principal and as inward supplies in the hands of the consignee and not just commission earned by the Agent.

An Agent of the Principal is one who carries on the business of supply or receipt of goods or services or both on behalf of the Principal. The Agent functions as an extended arm of the Principal and, therefore, supplies (inward and outward) effected by an Agent on behalf of the Principal would be treated as supplies effected by the Principal.

The Principal shall recognise the transfer of goods to an Agent as a supply, at the time of effecting such transfers. The Agent who supplies such goods on behalf of the Principal would have to issue the invoice to the third-party recipient in the name of the Principal.

The reporting of the supply value to the customer would have to be reflected by the Agent in his GSTIN. Although this is a commission transaction in books of account, it is required to be treated as trading transaction for GST purposes. Please note that rate of tax indirectly applicable to the commission (involved in the price differential earned by Agent) will be taxed at the rate applicable to the underlying goods and not at the rate applicable to commission service.

The value of commission would have to be separately mentioned by the Agent through a separate Invoice.

5. *Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.*

Import of services may not get recorded in the books of accounts on accrual basis since such transactions are with related persons. But an inference could be drawn by the Auditor on a perusal of the past transactions, wherein such expenses have been incurred on a regular basis.

Illustration

- Transfer of machinery from Agra Branch to Bengaluru Branch without consideration for indefinite usage in production activity is a supply although there is no consideration involved.
- An Architect located in New Jersey, USA may provide services to say his brother who is a builder in India and is a taxable person.
- Foreign branch supplying manpower to the Head Office located at Hyderabad.
- Cloud servers and data storage facilities are commonly shared by a group of entities. Each region is allocated its share of cost. In such instances, it is possible that due to differences in the financial year closure in various other branches, the relevant cost of

the Indian entity may not be recorded. The Auditor needs to ensure that by the year end, these costs are also reckoned the GST has been paid and the relevant input tax credit claimed.

In the above illustrations, even though no consideration is involved, it would still be treated as supply of services without consideration and attract taxes.

Notes to consider

- (i) Improper or incorrect valuation of the supplies made without consideration;
- (ii) Not recognizing deemed supply of services between distinct persons;
- (iii) Not recognizing transfer of capital goods to distinct persons;

Disclosures for consideration

1. The Auditor has to assess the systems and processes adopted by the entity with a view to identifying such transactions. Suitable disclosure may need to be provided by the Auditor for the basis of such identification and its treatment under the GST Laws.
2. If there is any system / methodology for such an identification, then the Audit has to assess the completeness and correctness of the said system so as to cover all the aspects;
3. To examine records and to confirm if the system is followed consistently.
4. If there is no proper system, to consider the possibility of any transactions that may have escaped attention.
5. In cases of deemed supply transactions, it would be relevant to include suitable disclosures even in the management representation letter.

Sl. No.5E. Credit notes issued after the end of the financial year but reflected in the annual return.

5E	Credit Notes issued after the end of the financial year but reflected in the annual return	(-)	
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Table No.	Instructions
5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.

Introduction

This Sl. No. mandates reporting of the aggregate value of credit notes which were issued after Mar 31, 2018 in respect of any supply accounted in the current financial year (2018-19) but for

credit notes were reflected in the annual return (GSTR –9 for the financial year 2017-18). But, it is uncommon, although not impossible, for credit notes dated after Apr 1, 2018 to be given effect in the financial accounts of 2017-18. This Sl. No. applies only in such rare cases. For the most part, this Sl. No. may well be 'nil'.

This Sl. No. requires collation of information recorded in the returns filed during the period April 2018 to September 2018 and up to the date of filing of the Annual Return in respect of Credit Notes / Adjustments made in respect of transactions pertaining to the previous financial year. All such Adjustments made / Credit Notes issued and reflected in GSTR1 for the above period should be considered for filling this information. The value of transactions collated as cited supra shall be considered for adjustment of turnover reflected in the Audited Financial Statements to derive the turnover as per the Annual Return in GSTR 9.

Analysis

- Step 1: Prepare a list of credit notes dated after Apr 1, 2018
- Step 2: Prepare another list of credit notes adjusted in Table 9A, 9B and 9C of GSTR 1 'for' 2017-18 whether filed on-time or belatedly.
- Step 3: Validate that these credit notes have not been 'given effect to' in the turnover derived in 5A.

By the above adjustment, the turnover derived from the audited annual financial statements does not contain the 'effect' of these credit notes but GSTR 9 already contains its 'effect' due to their inclusion in GSTR 1 'for' 2017-18. In reconciling turnover in financial statements and GSTR 9, it is important to 'reduce' the turnover in financial statements (at 5A) to enable it to reconcile with turnover in GSTR 9.

S1: BOOKS NOT OK RETURNS NOT OK [Transaction of Previous FY]	S2: BOOKS OK RETURNS NOT OK [Transaction of Previous FY]
S3: BOOKS OK RETURNS OK ADDITIONAL INFO --> CHANGE BOOKS [Transaction of Previous FY]	S4: BOOKS OK RETURNS OK ADDITIONAL INFO --> No change in Books [Transaction of Current FY]

Notes to consider

- **Scenario 1:** Transactional Entry wrongly posted in the Books of Accounts and returns also filed accordingly, which are noticed during the subsequent FY call for adjustment of transactions pertaining to the last FY.
- **Scenario 2:** Transactional Entry posted properly in the Books of Accounts and wrong data furnished in the returns filed. Noting this error in the subsequent FY, suitable

changes are made in the returns filed during the relevant tax period till the date of filing of the Annual Return or September tax period, whichever is earlier.

- **Scenario 3:** Transactional Entry posted properly in the Books of Accounts and returns also filed properly. Some additional knowledge about the transactional entry of the previous year noted before the Auditor Certification of Books of Accounts calls for the adjustment of Books of Accounts of the previous FY.
- **Scenario 4:** Transactional entries posted properly, and returns filed duly as per the Books of Accounts. Additional information demanded for adjustments to the transactions of the last FY to be incorporated in the current FY. These adjustments don't demand any correction to Books of Accounts of the last FY.

Additional notes to consider

- Information collated for Clause 5E of GSTR 9C should be thoroughly examined with necessary supporting documents furnished to trace back the Transaction in the Previous Financial Year
- Reconcile duly the transactions reported in the returns filed during the previous Financial Year with corresponding Books of Accounts to check the accuracy of adjustments reported in the Current Financial year for the Amendments/ Credit Notes reported as per Table 9 of GSTR1.

Conclusion

Therefore, 5E of GSTR 9C contains information pertaining to credit notes which were issued after 31st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9).

Sl. No. 5F. Trade discounts accounted for in the audited Annual Financial Statement but are not permissible under GST

5F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
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Table No.	Instructions
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here.

Introduction

Clause 5F requires disclosure of trade discounts which have been given effect to, in the audited financial statements but which are not permissible as part of deductions from the value of supply under the GST Laws.

Analysis

This data / information can generally be obtained from the credit side of the Profit and Loss account. It is also a business practice that trade discounts would be netted off against the turnover of outward supplies. In the case of entities with multiple registration, a separate statement is to be obtained for each GSTIN reconciling the total with the amount disclosed in the financials.

Non-allowance of the same has to be identified on the basis of the documents maintained by looking into the conditions of allowance as deduction against the supply made as per Section 15(3) of the CGST Act.

Since it may be difficult to verify all the cases of trade discounts by the Auditor to consider the eligibility for deduction, it may have to adopt some other audit techniques to ascertain the same. Also, it would be important to obtain the appropriate management representation letter from the entity.

➤ Validation

The concept of 'sale price' does not permit the inclusion of trade discount in the sale price. Wherever any credit notes are to be issued for discount or sales incentives by one dealer to another dealer after issuing the tax invoice, the selling dealer shall issue a credit note without disturbing the tax component on the price mentioned in the original tax invoice, so as to retain the quantum of input tax credit already claimed by the buying dealers as well as not to disturb the tax already paid by the selling dealer.

Trade discounts can be issued in various ways, such as special discounts, rebates, remissions, compensations, bonus, etc. Some of these are discussed below:

- (i) **Special discount or Rebate:** It can be issued by a supplier to a recipient for maintaining the business relationship or for any extraordinary purchase made by the dealers. This discount is contingent upon future purchase by the dealer. Such discount is not established in terms of an agreed upon agreement or before the time of such supply and not specifically linked to relevant invoices. So if the special discount is not established according to any agreement, there would be no deduction from the sale price as per the provisions.
- (ii) **Bonus discounts:** This discount is given only to those customers who purchase goods more than the stipulated numbers. However, this is not decided at the time of supply, but given subsequently, after discussions and negotiations. These are also considered as discount from the accounting perspective, whereas under the GST they would be allowed only if they have been pre-agreed before the supply. Because of this, there would be mis-match between the financials and the GST turnover.
- (iii) **Incentive/Commission:** It is a business practice that payments made to the distributors, dealers and other channel partners titled as incentive or commission which

is generally accounted for in the financials as discount. However, under the GST this will not be considered discount because it is given in the form of incentive without reducing the sale price. This may well be a case of 'cross supply' which may involve invoice being issued with applicable GST by the channel partner (recipient of the said credit note). Care must be taken to look beyond the title of 'discount' and examine the 'nature' of the underlying transaction.

- (iv) **Remission:** The reduction allowed from the sale price to the purchaser, to compensate him for the general fall in prices would not amount to a discount, because it happens subsequent to supply and would not have been a part of any agreement.
- (v) **Compensation:** The dealer would get compensation in the form of rate difference or trade discount in case of a significant correction of prices. For example, a dealer has to sell 500 tyres to the final customer at Rs. 900, against the original purchase price of Rs. 1000. The Rs. 100/- rate difference is to be compensated for the dealer by the manufacturer.

➤ **Revision Required**

In case it has been found that the taxable value of outward supplies has been disclosed in GSTR 1 and GSTR 3B has been derived by allowing the trade discounts which have not satisfied the aforesaid conditions under the GST, the same has to be determined and rectified in the subsequent GSTR 3B for the month of September 2018 and GSTR 1 (up to such extended period). The same cannot be rectified in GSTR 9C since it is a statement of reconciliation between the declaration of turnover made in the GST returns and financial statements.

In case, the input tax credit attributable to such discounts has not been reversed by the recipient resulting in the input tax credit being reflected in GSTR-2A of the supplier, then, the same has to be rectified in the subsequent GSTR 3B and GSTR 1 for the month of September 2018.

It has to be noted that the non-allowable discounts provided during the GST regime in relation to the supply made in the erstwhile law must not be disclosed here because the same has to be given effect in the erstwhile law.

➤ **Illustration**

Please specify whether the following trade discounts would form part of reporting under 'Trade discounts accounted for in the audited Annual Financial Statement but are not permissible under the GST':

- (a) Turnover discount of Rs.50, 000/- issued by way of Credit Notes issued by the supplier during August 2017 wherein the supplier has not reduced the tax rates.
- (b) Quantity discounts of Rs. 10000/- issued by way of Credit Notes without tax impact.

Ans. Yes, both the above discounts shall form part of reporting under Sl. No. 5F to table GSTR-9C since the discounts have been provided by way of Credit Notes issued by supplier without any impact on tax.

➤ **Notes to consider**

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- (a) The valuation of trade discounts for the purposes of disclosures under this head, has to be clearly documented.
- (b) The input tax credit reflected in GSTR-2A attributable to such trade discounts has to be maintained.
- (c) The trade discount has to be demarcated between the supplies made in the erstwhile law and the GST regime.
- (d) The customer agreements have to be scrutinised to determine the quantum of non-allowable discounts.

➤ **Additional notes to consider**

The taxable person has obtained confirmation from the customers that they have reversed ITC in relation to the credit note issued.

➤ **Conclusion**

Therefore, 5F of GSTR 9C contains the trade discounts which have not been allowed in relation to the supplies made during the period July 2017 to March 2018 and accounted in the financial statements. The following discussion on “**Financial Credit Note**” may be referred:-

- (i) **Analysis:** In terms of Section 34 of the CGST / SGST Act, 2017 the supplier of goods and / or services is permitted to issue credit notes and debit notes in very specific situations which are summarized in the following manner:

Credit notes	Debit notes
Taxable value or tax charged in the tax invoice is found to exceed the taxable value or tax payable.	Taxable value or tax charged in the tax invoice is found to be less than the taxable value or tax payable
Goods supplied are returned by the recipient.	
Goods and / or services or both supplied are found deficient.	
Pre-agreed discount given after the issue of invoice subject to conditions.	

The provisions state that a credit note can be issued either by reducing taxable value or tax payable on an earlier supply. Accordingly, some experts believe that, credit note can be issued by reducing the taxable value without affecting the tax involved in the amount of such reduction. In this regard, the attention to the proviso to Section 34(2) where reduction in output tax liability of the supplier is not permitted, if the incidence of tax and interest on such supply has been passed on to any other person. Verification of this fact in the books of the counter party is admittedly too onerous but if such credit notes are correctly reported in GSTR 1, it would leave a trail for verification and compliance in due course.

For these reasons, it is believed that a taxable person may issue a credit note reducing the value of original supply without tax attributable to the reduction claimed. Such credit notes are referred to as 'financial credit notes'. When financial credit note is issued by a supplier, it would adjust turnover of the original supply and hence the revenue recorded in the books of accounts. However, such credit notes would not be declared in the returns under the GST law.

Now, there would be difference in revenue as per the audited annual financial statements and the turnover reckoned for the purpose of GST returns. The value of such credit notes should be declared against Pt. II Sl. No. 5J as 'credit notes accounted for in the audited Annual Financial Statement but are not permissible under the GST'. This Pt.5J increases the revenues as appearing in the audited financial statements (minus of a negative value would be a plus).

It is evident from the above that credits notes not admissible under the GST would attract incidence of GST. And for this reason, it is not advisable to issue such credit notes that omit to adjust the tax involved in the reduction sought to be made to the value of original supply. However, return of goods (after Sept 2018) may still warrant issuance of such financial credit notes but as the Government has clarified in circular 92, it may be more appropriate that such returns be against and 'invoice with GST' (return supply) rather than 'credit note without GST'.

It is relevant to note that credit notes issued under the provisions of Section 34 viz., mentioning the value of taxable value and the tax payable thereon as well is not required to be declared in the reconciliation statement in Form GSTR 9C for the reason that such credit note would have already been declared in the monthly returns / annual returns. Also, some consideration is to be given to the implication under rule 37 in the hands of the recipient (of said credit note).

- (ii) **Situations in which the financial credit notes are issued:** Legally, any reduction in the taxable value would require reduction in the tax payable on the relevant supply of goods and / or services. However, there are certain situations in which issuance of credit notes mentioning the amount of GST would not be permitted. Some of such

illustrative situations are given below:

- (a) **Discounts offered post supply:** The discount issued by the supplier after effecting supply of goods and / or services if not in terms of the provisions as specified under Section 15(3) of the CGST / SGST Act, 2017, the supplier cannot claim reduction in the output tax liability. In such a scenario, the supplier cannot claim reduction in the output tax liability and to adjust the value of supplies by way of offering discounts after affecting the supply of goods and / or services, the supplier may issue a credit note without mentioning the corresponding amount of tax.
- (b) **Credit notes issued in relation to exempt supplies, zero-rated supplies and non-GST outward supplies:** The supply of exempt, zero-rated and non-GST outward supply of goods and / or services are not liable to GST. In such a scenario, the credit notes issued for claiming reduction in the taxable value shall be recorded in the audited annual financial statements. Such credit notes should be declared against Pt. II Sl. No. 5J of Form GSTR – GSTR 9C.
- (c) **Credit notes issued after expiry of the time limit specified under the GST law:** In terms of Section 34 of the CGST / SGST Act, 2017, a supplier cannot issue a credit note any time after either of the following two events:
 - (i) Annual return has been filed for the FY in which the original tax invoice was issued; or
 - (ii) September of the FY immediately succeeding the FY in which the original tax invoice was issued (i.e., for a tax invoice issued in April 2018 as well as a tax invoice issued in March 2019, the relevant credit notes cannot be issued after September 2019;
- (d) **Refund of the consideration where the tax is not refunded to the recipient:** The supplier of goods and / or services may, in terms of the agreement, in a situation of unfructified supplies, refund only the amount received towards the value and not the taxes collected. In such a scenario, the supplier may issue financial credit notes without mentioning the amount of tax applicable thereon.
- (e) **Other situations:** There could be certain situations where the supplier despite of issuing credit notes specified under Section 34 of the CGST / SGST Act, 2017 may issue financial credit notes. This appears to be an interpretational issue whether issuance of such financial credit notes in lieu of the GST credit notes is appropriate or otherwise. This practice of issuance of credit notes is followed in the following situations:
 - (i) Sales returns – the supplier may refuse to issue GST credit note for return of goods;

- (ii) In automobile / FMCG sector, the manufacturer generally instructs the dealer to supply vehicles at a discounted price and agrees to adjust such discount from the amount receivable from the vehicle dealer. Such adjustments are done without adjusting the amount of GST collected at the time of effecting supply of vehicles by the manufacturer to the dealer.
- (iii) In the case of pharma industry, the value of expired / unexpired goods returned is adjusted out of amounts receivable from the super distributors, whole sale distributors, distributors etc., Such adjustments are generally carried by way of financial credit notes.

It is clear from the above illustrations that while the GST credit notes in case of supply of goods and / or services should be issued in terms of Section 34, it may not always be practicable to do so. However, in the case of the illustrations listed under para e 'other situations' the question whether the practice of issuing them would be appropriate and in compliance with the GST law is still unanswered. And in the context of 'discount in kind' (goods given freely) circular 92 does not categorically state the tax position regarding credit notes issued. It is very guarded in its language to state that 'if there is no consideration, then credit reversal will be adequate. But that is precisely the area of doubt 'if there is any consideration when samples are issued.

- (iii) **Compliances and treatment of financial credit notes:** The financial credit notes issued by a taxable person should not be declared either in the monthly returns filed in Form GSTR 3B or outward supply statement filed in Form GSTR – 1 since, it does not involve adjustment of output tax payable. Financial credit notes would also not be declared in the annual return filed in Form GSTR – 9. Inasmuch as the reconciliation statement in Form GSTR 9C is concerned such financial credit notes may be declared for the reason that the value of such notes is given effect in the revenue of the audited annual financial statements. Therefore, such credit notes whether issued in terms of Section 34 or otherwise, should be declared against Pt. II of Sl. No. 5J of the Form GSTR 9C.
- (iv) **Implications upon issuance of financial credit notes:** With reference to the explanations given above, financial credit notes would not adjust the amount of GST involved in the original tax invoice issued at the time of supply of goods and / or services. Accordingly, the transaction value of supply of goods and / or services shall stand reduced although tax paid thereon remains the same. This may result in a higher amount of GST being paid considering the adjusted value of the original supply. In this regard, attention is invited to Section 16(2) of the CGST / SGST Act read with Rule 37 of the CGST Rules, wherein it is stated that unless payment of consideration is not made within 180 days from the date of issuance of invoice, the recipient would not be entitled to input tax credit to the extent of the shortfall in payment. Some proponents of the permissibility of financial credit notes believe that 'payment' is intended to refer to

'settlement of invoice', and such settlement could arise by actual payment or through financial credit note. It is a matter to be carefully considered in the light of the effect that Pt.II Sl.no.5J has on the taxable value of outward supplies in the reconciliation statement.

Sl. No. 5G: Turnover from April 2017 to June 2017

5G	Turnover from April 2017 to June 2017	(-)	
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Table No.	Instructions
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.

Introduction

In terms of this Sl. No, the turnover included in the audited financial statement for the period April 2017 to June 2017 shall be declared and deducted from the annual turnover to arrive at the turnover as per the GST Laws.

Analysis

Relevant Provisions

- (i) Section 1(3) of the CGST/ SGST/ IGST Acts states that the provisions of the said Acts shall come into force on such date as the Central Government/ respective State Governments may by notification in the official gazette appoint.
- (ii) As per N.No.9/17 CT and 3/17 IT, both dt.29.8.17, the Central Government appointed 1.7.17 as the date on which provisions of Section 6 to Section 9 (*inter-alia containing provisions relating to taxable event and charging section*) and Section 31 to Section 41 (*inter-alia containing provision for audit S.35(5)*) shall come into force.
- (iii) Since the Acts came into force on 1.7.17, the *taxable event, subject to matter of tax, person liable to pay tax and rate at which the person is liable to pay tax*¹ became operative as on 1.7.17. Further, the charge under a fiscal statute shall operate only from the date the statute becomes operative.²
- (iv) As per Section 35(5), every Registered Person whose turnover in a *financial year* exceeds the *prescribed limit*, shall get his accounts audited by a Chartered Accountant/ Cost Accountant. Rule 80(3) of CGST Rules provides the prescription of aggregate turnover exceeding Rs. 2 crores. Financial year means the year commencing on the

¹ The four essentials required for a fiscal statute to operate. Please see Govind Saran Ganga Saran v. Commissioner of Sales tax — (1985) Suppl. SCC 205

² CCE V. Vazir Sultan Tobacco Co Ltd., 1996 (83) ELT 3 (SC)

first day of April as per the General Clauses Act, 1897. This could raise a question as to whether turnover ought to be computed from 1.4.17 (the start of the financial year) or 1.7.17 (the date from which the GST came into effect).

- (v) This Sl. No. clarifies that turnover for the Financial Year 2017-18 should be computed from 1.7.17 to 31.3.18. Hence the turnover for the period commencing April 2017 to June 2017 is to be deducted from turnovers as per the books of account to arrive at the aggregate turnover as per the GST Act.

Source of Information

The returns filed under the Excise Laws, State Level VAT Laws, and the Finance Act, 1994 (service tax returns) examined with invoices, gate passes, lorry receipts and entries made in the books of accounts are the source documents for procuring this information.

Validation of Information

The turnovers declared in the said excise return, State Level VAT returns and Service Tax should match with the turnovers declared in the books of accounts for the period relating to April 2017 to June 2017, subject to the point of taxation differences that may arise in terms of the erstwhile laws and accounting standards relating to revenue recognition.

Methodology to extract turnover from April 2017 to June 2017:

There could be cases where the books of accounts are closed quarterly, or financial statements are drawn up quarterly. In such cases, the quarterly turnovers can be adopted, and adjustments can be made relating to the point of taxation under the excise law, State level VAT law and service tax law to arrive at taxable values as per the erstwhile laws. The said value must be entered under this head.

Turnovers forming part of the tax periods 1.4.17 to 30.06.17, which were liable to tax under the erstwhile laws as per the provisions relating to the point of taxation rules should be deducted from the turnover.

It may be noted that tax is liable to be paid on removal in case of excise or on sale under VAT law or on provision of service (or issue of invoice as the case may be) under service tax law provisions and not on accrual basis or cash basis (which is the basis of accounting and hence basis of annual turnover as per financial statements). Thus, the criteria for reducing turnover for the period April 2017 to June 2017 is not when the revenue was recognised as per relevant accounting standards, but whether or not the said amounts were liable to tax under the erstwhile laws as per the point of taxation under the said laws.

Amounts forming part of turnover relating to works contracts, where consideration was received during the period April 2017 to June 2017, but supplies were effected or services were rendered after June 2017, needs to be deducted under this Sl. No. because the said consideration was liable to tax on receipt basis as per the service tax law and State level VAT

laws. However, where VAT-ST are paid but the said supplies are rightly liable to GST, then this value needs to be added back in Sl. No. 5(O) (see the relief from double tax allowed by section 142(11)(c)). Please note that a transaction once 'leviable' to tax under earlier laws will not again become 'leviable' to GST, even if one or other elements of 'time of supply' occur later.

It is opportune to mention at this stage that there is a saving clause in section 142(11)(a) and (b) of CGST/ SGST Act, which states that transactions liable to VAT/ service tax would not be exigible to GST in case the provision of time of supply under the GST also stands attracted to the very same transaction. There is no such saving clause mentioned for excise duty (i.e. for goods manufactured and cleared from April 2017 to June 2017) but sold after June 2017 (e.g.: clearances made on sale or approval basis prior to July 2017, sold after July 2017). However, N.No.12/17 CE dt.30.6.17 grants exemption in the case of goods manufactured prior to 30.6.2017 but cleared/ supplied after 1.7.2017, provided GST is leviable on such goods.

Notes to consider

➤ **Checks and Balances to validate correctness and completeness:**

Following tests, though not infallible, could be used as checks and balances to verify and validate the correctness and completeness of data entered under this head:

1. For matching returns with the turnover.
 - (i) Amounts declared in Excise Returns/ State Level VAT returns need to be reconciled with turnovers declared for the period April 2017 to June 2017. Clearances to job workers, stock transfers and supplies to agents would have to be reconciled amongst others, to validate the correctness of turnovers.
 - (ii) In case of services, the relevant ST3 return for the period April 2017 to June 2017 has to be reconciled, taking into account cases relating to advances for services provided after July 2017 and services accounted in the books after July 2017 (and hence liable to service tax and not GST as per S.142(11)(b)).
2. For Goods:

Cut off procedures in the form of physical verification of Goods in Stock on 30.6.2017 with corresponding invoices / delivery challans / e-way bills (under the erstwhile laws) may be checked to validate the correctness of data for goods.
3. For Services:
 - (a) Consideration received as advances in April 2017 to June 2017 for which services are provided on or after July 2017 needs to be included in the turnover for April 2017 to June 2017 since the said consideration is liable to service tax as advances on receipt basis and not liable to the GST as per S.142 (11) (b) though services are provided on or after July 2017.

- (b) Services completed in April 2017 to June 2017, for which invoices have been issued after 30.7.2017, are to be included in turnover for the period April 2017 to June 2017 as per Rule 3 of the Clause of taxation Rules, 2011 of the Service tax Regulations. The aforesaid services would be liable to service tax and not GST as per Section 142(11)(b) of the CGST/ SGST Act.
 - (c) In terms of the Service tax Regulations, evidence for completion of services in the form of sign offs have to be compared with the corresponding invoice dates, in exceptional cases, where there is an undue delay in issuing invoices beyond the stipulated period of 30 days. In such cases, the taxable value relating to such invoices needs to be reflected in this S.No for the period April 2017 to June 2017 although the invoice is issued after July 2017. This is because the said services would be liable to service tax and not GST.
 - (d) In terms of the Service tax Regulations, in case of continuous supply of services, the Auditor would have to verify (by way of sign offs/ chartered engineer certificate etc) the occurrence of the relevant / threshold taxable event under those Laws. It must also be verified as to whether in such cases, the recipient is required to effect payments. If such an event has occurred, then notwithstanding the fact that consideration is received on or after 1.7.2017, such turnovers must be reflected in this Sl.No. as turnover from April 2017 to July 2017.
 - (e) An individual or a proprietary firm or a partnership firm or a Hindu Undivided Family are liable to pay service tax on receipt basis as per the proviso to Rule 6(1) of the Service tax Rules, 1994, where the aggregate value of taxable services is fifty lakh rupees or less in the previous financial year. In such cases, the consideration may be accounted on receipt basis after July 2017. Even in these cases, the said turnovers must be reflected under this Sl. No. for April 2017 to June 2017, since the said consideration is liable to service tax, though received after July 2017.
4. The effect of transition provisions must be checked and given their due play:
- (i) Goods manufactured and removed (for approval) prior to 1.7.2017 under the erstwhile Excise Laws would be subject to the payment of Excise duty under those Laws. If such goods are sold after July 2017 then GST would stand attracted based on the date of raising of the relevant tax invoice. This is because, the machinery provision relating to central excise duty occurred prior to 1.7.2017 but supply of the said goods (sale in the present case) occurred post 1.7.2017. It must be noted that the recipient of goods in this case would have availed the relevant excise duty credits. Lastly, such turnovers need not be reflected under this Sl. No.
 - (ii) As per Section 142(11) (a) and (b) of the CGST Act, if VAT/ service tax is leviable, then GST would not be payable, notwithstanding the fact that supply is made after 1.7.2017 and the time of supply provisions under the GST apply thereto. Thus, services provided after 1.7.2017 for which consideration is received prior to 1.7.17 should be deducted under this Sl. No. as turnover from April 2017 to June 2017.

5. The aforesaid reconciliations ought to tally with declarations made u/s 142(11) in Form GST TRAN I.

Illustration:

Please specify which of the following supplies would form part of reporting under turnover for the period April 2017 to June 2017

- (a) Goods were manufactured and cleared from a factory on 1.6.2017 on sale or approval basis. The goods were not approved by the recipient and returned back on 25.12.2017.

Reply: Since the goods were not approved and returned after the stipulated period of 6 months, the value of the said supplies would not be included in turnover in the audited financial statements. However, as per the 2nd proviso to Section 142(12) of the CGST Act since the goods were returned after 6 months from appointed date (i.e. 1.6.2017), GST would be payable for the tax period December 2017 in respect of the return supply by the customer who rejected the goods. Though the transaction originated in the period April 2017 to June 2017, the turnover will not be reflected under this Sl.No. However, one may reflect such adjustment under Part II, sl. No. 5 Clause O – 'Adjustments in turnover due to reasons not listed above' as addition.

- (b) Goods were manufactured and cleared from a factory located in Bangalore on 30.4.2017. The goods were cleared to its showroom located in Hyderabad and eventually sold from there on 30.8.2017. The audit under the GST law will be conducted for Bangalore GSTIN.

Reply: The said goods are liable to excise duty since the goods have been cleared on 30.4.2017. The goods would not form part of turnover as per the financial statements since it is a branch transfer. It would stand reflected as branch transfers under the State Level VAT laws. Since audit is being conducted for Bangalore GSTIN and since supply has occurred from Hyderabad GSTIN, it would not be necessary to make adjustments for the period April 2017 to June 2017.

- (c) Services were provided during the period June 2017. The service was completed on 20.6.2017, but invoice for the service was raised only on 1.8.2017.

Reply: Since the invoice was raised after a period of thirty days, service tax is liable to be paid for the period ending June 2017 as per the proviso to Rule 3(a) of the Clause of Taxation Rules. Since the said transaction is liable to service tax, it is not liable to GST as per Section 142(11) (b) of the CGST Act, though the invoice is raised during the GST regime. Therefore, the said value of invoice must be deducted for the period April 17 to June 2017.

- (d) Continuous supply of service in the nature of construction service is being provided. The construction started on 1.5.2017 and is yet to be completed as on 31.3.2018. The

'first floor slab' of construction work was completed on 30.06.2017, at which point every customer was required to pay Rs.2,00,000/-. Only 50 out of 200 customers paid. So Revenue has been recognised only for 50 customers as on 30.6.2017. 110 customers paid during the period 1.7.2017 to 31.3.2018, which has been recognised as revenue for the period ended March 2018. Please also state what to do about 40 customers who did not pay any consideration.

Reply: As per proviso to Rule 3(b) of Point of Taxation Rules, 2011, in the case of continuous supply of service, the point of taxation shall be the point in time which requires the service recipient to make payment to the service provider. In the impugned case, the service recipient is liable to pay to the service provider as per the agreement on completion of construction related to 'first floor slab' completed on 30.6.2017. If invoices are raised on or before 30.7.2017, the date of raising the invoice shall be the point of taxation. If invoices are not raised before 30.7.2017, the date of completion of service i.e. 30.6.2017 shall be the point of taxation. Thus, service tax is liable to be paid on consideration of Rs.2,00,000/- relating to each of the 200 customers, irrespective of whether consideration is received or not from the 200 customers by the builder. Since consideration received from 160 customers has been received (50 + 110), the relevant turnovers (160 customers multiplied by Rs.2,00,000/-) has to be reduced from the turnover under this Sl. No., though service tax would be payable on the product of 200 customers into Rs.2,00,000/-.

- (e) Continuous supply of service in the nature of telecommunication service has been provided for the period 1.6.2017 to 30.6.2017. The bill is raised on 3.7.2017. The bill is payable by the customer only on 21.7.2017. Should the revenue be recognised in the month of June 2017 and reduced from total turnover or should it form part of turnover for the period July 17 to March 18 since the due date for payment of consideration is 21.7.2017. The entity recognised the revenue in the month of June 17.

Reply: As per proviso to Rule 3(b) of the Clause of Taxation Rules, 2011, the point of taxation in the impugned case would be the date on which bill has been raised i.e. 3.7.2017. Though invoice has been raised in the GST regime, service tax is payable since service has been provided during the currency of the Finance Act, 1994. The date for payment of service tax as per the machinery provision i.e. POTR, 2011 may be 3.7.2017 but the said service would be liable to service tax because the charge u/s 66B gets attracted for the period June 2017. Further as per S.142 (11) (b) since the transaction is *liable* for service tax, then tax would not be payable under the GST Laws. Hence the said amount should be deducted as turnover under this Sl. No. for the period April 17 to June 17.

- (f) Service has been provided in the month of May 17 amounting to Rs.1, 00,000/-. Invoice has been raised within 30 days. There was a deficiency in the provision of service. The

customer has paid only Rs. 20,000/-. The company has issued credit note amounting to Rs. 80,000/- on 31.3.2018 and closed the customer's account. Should any amount be reduced for the period April 2017 to June 2017. Are any adjustments required to be made for the period July 2017 to March 2018?

Reply: As per S.142 (2) (b) of the GST Act, where in pursuance of contract entered into prior to the appointed date, where the price of service is revised downwards after 1.7.2017 and the provider issues a credit note within 30 days of such price revision, such credit note shall be deemed to have been issued in respect of outward supply, provided the recipient has reduced his input tax credit. Assuming the input tax credit is reduced by the recipient, the credit note shall be reduced from outward supply for the tax period March 2018. Thus Rs.80,000/- would be reduced from the GST turnover for the period of March 2018. The said amount of Rs.80,000/- would be reduced from the turnover in the month of March 2018 because credit note is issued in the month of March 2018. Thus, only Rs.20,000/- is required to be reduced for the period April 2017 to June 2017, though invoice for Rs.1,00,000/- is issued in the month of May 2017 and service tax is paid on Rs.1,00,000/- in the month of May 2017.

Conclusion

The taxability of transactions has to be taken into consideration. The applicability of charge and corresponding machinery provisions under the erstwhile laws must be tested / examined. As a general rule, if the charge attracts or the machinery provisions under the erstwhile laws require payment of tax, then such transactions should be considered for the period April 2017 to June 2017. The point of taxation under the erstwhile laws may not necessarily flow in accordance with the revenue recognition made for the period April 17 to June 17. Provisions relating to the erstwhile laws and transition provisions under the GST law must be read together while computing data under this entry.

Sl. No. 5H. Unbilled revenue at the end of Financial Year

5H	Unbilled revenue at the end of Financial Year	(-)	
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Table No.	Instructions
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.

The reader may refer to the discussion in Sl. No. 5B of Part II for more details on this.

Sl. No. 5I: Unadjusted Advances at the beginning of the Financial Year

5I	Unadjusted Advances at the beginning of the Financial Year	(-)	
Table No.	Instructions		
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.		

The reader may refer to the discussion in Sl. No. 5C of Part II for more details on this.

Sl. No. 5J. Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST

5J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
Table No.	Instructions		
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.		

1. Introduction

This Sl. No.5J has to be filled up with the information available in the audited Financial Statements whereas such amounts have not been adjusted against the supplies in the GST returns. All the adjustments made to the turnover where there is an effect of reduction due to a Credit Note issued have to be quantified for the purpose of reconciliation between the books of accounts and the GST returns to be filed. There could be an adjustment made to the receivable and payable in the books of accounts. Care should be exercised to extract the information of credit note that only calls for reduction of the turnover. Also, a reference to the Accounting Standards issued by ICAI for Revenue recognition may be referred to for knowing the information to be filled up in this area.

2. Analysis

All the adjustments made in the Books of Accounts by way of adjustment in the turnovers by issuing a Credit Note shall be reckoned for this purpose. All the information in the Credit Note register without having a GST effect should be collated and provided. Please note that due to "+" sign, credit notes not conforming to section 34 will result in said amount of turnover being liable to output tax by addition to the turnover reported in books compared to that reported in GSTR 9 which is the tax paid turnover.

3. Illustration

- (i) M/s ABC and Co. supplies goods on credit to the customer Mr. A for Rs.100,000 [applicable GST 18%]. Mr. A pays the supply value much before the credit period and in turn requests the supplier to extend a cash discount of 2%. Cash discount extended at 2% shall be a Non-GST Credit note which should be considered for disclosure in Part II at Table 5J.
- (ii) Mr. A has supplied goods for Rs.20,000/- [applicable GST 12%] along with transport charges for Rs.2,000/- to M/s ABC and Co., On receipt of the goods, the customer complains that the goods are damaged. Mr. A extends a discount of Rs.2,500/- to the customer and issues a Credit Note without giving effect to the GST for the damage. This adjustment to the amount receivable from the customer shall be accommodated by way of a Credit Note and the same shall call for adjustment to the turnovers.

4. Notes to consider

- Segregation of adjustments to turnover on account of Credit Note with GST and without GST has to be done carefully and dealt with appropriately as discussed in the above illustrations.
- Credit Note issued and subsequently cancelled should be considered while considering the summary of adjustments.
- Any adjustment on account of reduction in receivable not being adjusted to the turnover should not be considered for reconciliation.
- Accounting / Financial Credit Note issued if any in relation to reduction in the inward supply price consideration should not be considered for filling up the information in the above Table.
- Please also refer to detailed discussion on credit notes in the context of Sl.No.5F.

5. Auditors Disclosure

Auditor has to disclose the practice adopted for collating relevant information from the books of accounts and the basis for determining the adjustments eligible for reconciliation purposes. Reference to the Accounting Standard issued by the ICAI has to be made and indicated whether the Registered person has adopted or not.

Sl. No. 5K. Adjustments on account of supply of goods by SEZ units to DTA Units

5K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
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Table No.	Instructions
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.

Introduction

Aggregate value of all the goods supplied by SEZs to DTA units for which the DTA units have filed the bill of entry shall be declared here.

Analysis

Such outward supplies are not required to be reported by SEZ units in their GST Returns and hence the data cannot be retrieved from the returns filed by such SEZ units.

SEZ units are required to maintain records of the assets / goods admitted into the SEZ unit and also the details of disposal of such goods. Such records can assist an Auditor in identifying the outward supply made by the SEZ unit. Additionally, disposal of capital goods would be disclosed as deletion in the Fixed Asset Registers.

Illustration

1. XYZ Limited, SEZ unit supplied goods to a DTA unit and the relevant bill of entry is filed by the DTA unit

This transaction would be a 'sale' for the purpose of financial statements of the SEZ unit but would not be considered as supply for GST purposes and hence needs to be deducted from the turnovers of financial statements for the purpose of arriving at the turnover as per GSTR 9. In respect of the inward supply in the hands of the DTA, this transaction would be treated as import of goods.

2. XYZ Limited, a SEZ unit, supplied goods to a DTA unit and the bill of entry was filed by the SEZ unit based on authorization by the DTA unit

This transaction would be outward supply or 'sale' for the purpose of financial statements of the SEZ unit and inward supply for GST purposes. Accordingly, it would not require any disclosure in the aforementioned table.

Notes to consider

The following are the control checks that an Auditor may undertake to check the validation of the turnovers reported under this head:

- Whether the SEZ unit also has units outside the SEZ Area, and whether the entity was required to obtain two registrations – one for SEZ and other for non SEZ;
- Check the treatment of transactions which involve transfer of goods from SEZ to non SEZ. It has to be treated as transaction with the third party

Sl. No. 5L. Turnover for the period under composition scheme

5L	Turnover for the period under composition scheme	(-)	
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Table No.	Instructions
5L	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.

Introduction

There may be cases where Registered Persons might have opted out of the composition scheme during the year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared under this Sl. No. 5L.

A person registered under the composition scheme who has opted out of the scheme should file both GSTR 9 and GSTR 9A. An Auditor may note that even a person violating the conditions stipulated in Section 10 of the CGST Act or Rule 5 of the CGST Rules or Notification CT 8/2017 dated 27/06/2017 would stand to exit the scheme. In such cases, the composition person should file Form COMP-4 and opt out of the scheme.

Analysis

Information reported here must flow from GSTR-4. As such, the working notes for the preparation of GSTR 9C would involve summation of data from GSTR-4 filed for Jul 2017 till the date of opting out of the Composition scheme reported during 2017-18. Information for Sl. No. 5L of GSTR 9C would include modifications and corrections made during the year 2017-18 till the date the person opts out of the composition scheme.

Further, credit notes and debit notes relating to 2016-17 and up to Jun 30, 2017 that are issued after July 1, 2017 are required to be considered in 2017-18 itself, as provided in Section 142(2)(a) and (b) of the CGST Act in respect of such overlapping transactions.

It is suggested that the following reconciliations be carried out for reporting correct values:

- (a) values as declared in the bill of supply and those declared in the books of accounts;
- (b) values declared in the books of accounts and in GSTR-4;
- (c) values of advances declared in the books of accounts and values as advances declared in GSTR-4;

The turnovers that are to be reported can be directly derived from the tables of GSTR-4. The various components of this Sl. No. 5L would be as follows:

Category of supply	Relevant table of GSTR-4
Taxable outward	Table 6
Advances received	Table 6
Returns	Table 6
Exempted supplies of manufacturers and service providers (referred in par 6(b) of schedule II)	Table 6
Amendments to turnover reported in subsequent form GSTR-4	Table 7
Exempted supplies of traders	To be extracted from the books of accounts

Revision required, if any

During the course of preparation of Form GSTR 9C, if any outward supply is omitted in any GSTR-4 pertaining to the financial year 2017-18, as aforesaid, a revision is warranted. Revision in the information cannot be passed through GSTR-4 as the taxable person has opted out of the composition scheme. So revision cannot be passed through GSTR 1 and GSTR 3B because those revisions are related to the composition turnover.

Illustration

Advance received during the composition scheme, but supplies effected after opting out.

Time of supply for the composition scheme includes advance received on supply of goods but under the regular scheme advance received is excluded from time of supply. e.g. Advance received Rs. 50,000/- under the composition scheme and tax paid on advance @ 1% i.e., Rs. 500/- whereas the supply value after he exits the composition scheme aggregates Rs. 1,00,000/-

In terms of Section 12 of the CGST Act to the extent of advance of Rs.50,000/- supply is deemed to have been already effected. Hence, tax under the composition scheme is required to be paid only on Rs. 50,000/- and the balance of Rs.50,000/- would be subject to tax at the applicable rates of a normal supply.

Notes to consider

A few control checks that an Auditor should perform for validation:

- For a clear demarcation, ensure such turnovers do not relate to the earlier tax regime (Before 1st July 2017);
- The outward supplies register should be used as the basis for validating the turnovers disclosed in the GST returns;

- In case of any valuation differences between the books of accounts and the GST returns, the basis for such differences in valuation should be clearly documented;
- Turnovers covered under the composition scheme alone should be reported under this Sl. No., including advance, exempt supplies, and all such amounts should be net of returns and refunds.
- Transactions relating to outward supply of assets should be carefully verified from the perspective of reporting, as it is a Balance Sheet item and valuation exercise needs to be carried out separately as per Section 18(6) of the CGST Act.
- Check all advances received during the migration period and effect given.
- Cut-off date and transaction taken place during cut-off date should be verified.

Conclusion

Therefore, Sl. No. 5L of GSTR 9C should match with the turnover declared in Sl. No. 6C of GSTR 9A, which is the sum of Table 6 and 7 of GSTR-4 of the relevant period.

Sl. No. 5M. Adjustments in turnover under section 15 and rules thereunder

5M	Adjustments in turnover under section 15 and rules thereunder	(+/-)	
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Table No.	Instructions
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.

Introduction

In terms of Section 9 of the CGST Act, GST is applicable on supplies of goods or services on the value of supply as determined under Section 15. Section 15 of the CGST, 2017 provides that the transaction value (value at which the supply has been transacted) would be the basis for the computation of tax when two conditions are satisfied

1. The price actually paid or payable should be the sole consideration for the supply; and
2. The supplier and the recipient are not related.

Even if the price for a supply is agreed to be the transaction value, few adjustments (provided for under Section 15 itself) are required to be carried out to such price for the purpose of the computation of value on which GST is required to be paid.

Analysis

To fulfil the requirements for this Sl. No. the Auditor may obtain, among others, the following documents:

1. Vendor Contracts to understand the expectations from the supplier. Any free supplies by a recipient which was the responsibility of supplier would be required to be added to the turnover of supplier;
2. Identify reasons for the issuance of credit notes and check for corroborative evidence in case the values are high;
3. Outward supply invoices issued to customers;
4. Customer Ledger Statement to identify various debits and credits and reasons for the same;
5. Contracts for Pure Agency;
6. List of Related Parties and details of transactions with them.

Illustration

Various adjustments that need to be carried out and their implications for the required reconciliation have been tabulated below

Adjustment	Explanation	Illustration
<p>Add: Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services tax Act, the Union Territory Goods and Services tax Act and the Goods and Services tax (Compensation to States) Act, if charged separately by the supplier</p>	<p>This Sl. No. provides for the exclusion of GST from the value and therefore all other taxes charged must be included in the value before quantifying GST. Taxes other than the GST would cause cascading and this is deliberate.</p>	<p>In an industrial park, the maintenance company is required to provide power back up by generating power using DG Sets. On captive generation of power, CEIG tax is required to be paid to the local Electricity Board in certain States.</p> <p>Treatment in Books CEIG tax is debited to the expense account and recoveries are credited to the same account</p> <p>Treatment under GST CEIG tax is required to be added to the maintenance income for computation of the GST</p>

<p>Add: Any amount that the supplier is liable to pay in relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both</p>	<p>This provision requires computation of values that are directly paid by the recipient although the supplier is required to incur such costs Typically, cases – Free of Cost Supplies</p>	<p>In the case of construction contracts the contractor was given a contract for construction of a building and was responsible for the procurement of all the materials required for such construction. However, the developer issues cement free of cost to this contractor Treatment in Books Contractor – No Entry Developer - Procurement of Cement would be treated as inward supply of cement and Cement to the Contractor would form a part of the cost of goods supplied Treatment for GST Contractor – Add the value of cement so received for the computation of GST Developer – Consider the supply of cement as outward supply. The contractor's invoice (including cement) is expense for construction</p>
<p>Add: Incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services</p>	<p>Costs that the supplier incurs 'at' the time of or 'before' supply is liable to be included in the value of supply</p>	<p>Supply of water by maintenance company to industrial parks Treatment in Books Charges paid to the vendor who gets the water in tanker is debited to expense account and the amount recovered from the Industrial Park / individual companies is credited to such expense account</p>

		Treatment for GST Such recovery is required to be included in the value of supply and tax computed on the same
Add: interest or late fee or penalty for delayed payment of any consideration for any supply	Amounts charged for delay in the remittance of consideration would be considered as value of supply and tax payable on the same though it could be argued that these are not supplies but financial transactions	These charges are generally recorded as other incomes and may not require any reconciliation
Add: Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Subsidy is any form of 'intervention' that lowers the transacted-price of a supply. Also, 'grant-with-condition' can be consideration for supply.	This Sl.No. expressly provides for the limited exclusion of subsidy from the value of supply, that is, subsidy given by the Government alone is excluded from the value of supply. This Sl. No. makes an interesting requirement that any transaction where there is any form of price-intervention that behaves like a 'subsidy' is liable to be included in the value of supply	E Commerce operator compensating vendors who participate in their shopping festival sales by offering additional discounts. This could be in the form of reduction in the regular sales the ecommerce operator or by the issuance of a financial credit note.
Less: before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply	'In-bill' discounts – are those that are allowed exactly at the point of supply so as to reduce the published product price as a result of negotiations. 'In-bill' discounts are admissible as the reduction in	This would not lead to any reconciliation if the "in-bill" discounts are reduced from the value of sales accounted at the time of recording the transaction in the books of accounts else the value of discount offered would have to be reduced from the turnover

	arriving at the transaction value	as per books to arrive at the turnover for the purposes of GST
<p>Less:</p> <p>after the supply has been effected, if—</p> <p>(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and</p> <p>(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.</p>	<p>'Off-bill' discounts – are those that are allowed after supply through a credit note. For such 'off-bill' discounts to qualify as the reduction from the transaction value adherence to the conditions specified in section 15(3) are sufficient</p>	<p>Off Bill Discounts are generally not reduced from sales in the Financial Records and hence would not have any impact on the reconciliation of turnovers</p>

In addition to the above, Valuation Rules also provide instances where the value of a transaction as per the financial records can be significantly different from the value to be considered for discharge of taxes under the GST. A detailed reading of the background material issued by the ICAI would help the reader identify cases where such valuation rules would come into play and any difference between the valuation as per financial records and GST records would have to be reported.

Typically, reasons for difference would be the alternate value considered for a transaction for the discharge of GST

1. Open Market value
2. Value of Supply of goods / services of like kind and quality
3. Cost + 10%
4. In case of sale to a related party which further sells the same product at 90% of the resale price
5. Any price, so long as the related party / distinct person can avail credit of the same

In this context, it would also be relevant to note that Rule 31, Rule 32 and Rule 35 provide for a special mechanism for payment of taxes in certain cases. E.g. an Air Travel Agent is required to discharge GST on 5% of the basic fare at the rate of 18% in case of domestic

bookings instead of the commission actually earned by him. The commission earned by him can be more / less than the deemed value assigned to the transaction thereby requiring reconciliation of sales values.

Further, Rule 33 allows for non-inclusion of cost / expenses incurred by the supplier on behalf of the recipient for the purpose of arriving at the transaction value. These transactions are considered as incurred as a “pure agent”. It should be ensured that all the conditions of pure agency are satisfied by the supplier who claims benefit for non-charging of GST on such charges.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Bad Debts are treated as discounts for the purpose of obtaining tax benefits;
- Review of E Way Bills - Free supplies can be tracked by verifying the purpose of movement of goods at the time of generation of e-way bills;
- Recoveries are generally netted off and do not appear in the financial records since the closing balance is zero;
- Distinguishing between Recovery of Expenses and Reimbursement of Expenses which can be treated as incurred as pure agent
- Detailed review of transactions pertaining to related parties;
- Reverse charge implications on the recovery of expenses.
- Further, GSTR 9 cannot be prepared based on sample verification. No such exclusion is permissible here. Completeness must be ensured for compiling of information as preparation of GSTR 9 is the duty of the Registered Person.
- Information reported in GSTR 1 does not need to be re-examined while preparing GSTR 9. Exercise involved is to compile the information to identify completeness of the information extracted from GSTR 1 as declared in 2017-18 and 2018-19 (up to dates permitted and as stated above).
- Revision in the information from B2C to B2B and vice versa must also be revised in GSTR 1 and then compiled in 4A of GSTR 9.

Conclusion

There may be cases where the taxable value and the invoice value differ due to valuation principles under Section 15 of the CGST Act and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to differences in the valuation of supplies shall be declared here.

Sl. No. 5N. Adjustments in turnover due to foreign exchange fluctuations

5N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	
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Table No.	Instructions
5N	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.

Introduction

Forex Transactions are accounted in the books of accounts based on Accounting Standard 11 whereas Rule 34 of the CGST Rules require

1. The value of taxable goods to be determined on the basis of the exchange rate notified under Section 14 of the Customs Act;
2. The value of taxable services is to be determined on the basis of the applicable rate of exchange determined as per generally accepted accounting principles for the date of time of supply of such services in terms of Section 13 of the CGST Act

Since the exchange rates applied to forex amounts for accounting purposes are different from the exchange rates applied for determining the value of taxable goods and services, there could be a difference between the turnover recorded in the books when compared with the turnover declared for the purpose of GST returns.

Analysis

➤ Source of information

Export of goods is stated in Table 6 of the GSTR 1 and its amendment is given effect in Table 9 of the GSTR 1 and at Table 3.1(b) in GSTR 3B. The forex gain / loss arising due to the difference in the amount booked in accounts and actual amount received forms part of the Profit and Loss Account.

➤ Validation of information

The “Activities in Foreign Currency” are reported as part of the Notes of Accounts to the Financial Statements of Companies.

➤ Revision required

Foreign Exchange fluctuation is purely an accounting concept and does not form part of the GST Returns and hence revision of returns is not required.

Illustration

3. PQR Limited has exported goods to a Company located in USA. The value of goods is \$100,000. The exchange rate (Rs/\$) on the date of filing Shipping Bill is

CBEC Notified rate	RBI Reference rate
Rs 65	Rs 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 70.

Solution: For the purpose of GST Returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST Returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Additionally, difference in the amount booked in the accounts and actual amount received being Rs. 70 – Rs. 68 = Rs. 2 x \$100,000 = Rs. 200,000 would be credited to the Profit and Loss Account as Forex Gain which again needs to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

4. PQR Limited has exported goods to a Company located in USA. The value of goods is \$100,000. The exchange rate (Rs/\$) on the date of filing Shipping Bill is

CBEC Notified rate	RBI Reference rate
Rs 65	Rs 68

At the time of receiving money, the bank exchanged the foreign currency at Rs. 66.

Solution: For the purpose of GST Returns, the exchange rate would be Rs. 65 and the exports to be disclosed in the GST Returns would be Rs. 65,00,000. For the purpose of accounting records, the exchange rate would be Rs. 68 and the exports recorded in the books would be Rs. 68,00,000. The difference in revenue being Rs. 300,000 would have to be **reduced** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Additionally, the difference in the amount booked in the accounts and actual amount received being Rs. 66 – Rs. 68 = (-) Rs. 2 x \$100,000 = (-) Rs. 200,000 would be debited to the Profit and Loss Account as Forex Loss which again needs to be **added** from the Annual turnover as per the financials to arrive at the revenue as per GSTR 9.

Notes to Consider

GSTR 9C should contain notes disclosing the limitations inherent in this exercise:

Conclusion:

This Sl. No. would enable the reconciliation relating to foreign exchange differences between the value adopted for accounting in the financials vis-à-vis the value adopted for the payment of GST.

Sl. No. 50. Adjustments in turnover due to reasons not listed above

50	Adjustments in turnover due to reasons not listed above	(+/-)	
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Table No.	Instructions
50	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.

Introduction

Clause 50 is a residuary Sl.No. which requires disclosure of reconciliation details relating to adjustments for which specific column is not provided under any other Sl.No.s under Item No. 5. This Sl.No. may contain an option to insert multiple line items to add / reduce the amount from the gross turnover declared in the audited Annual Financial Statements so as to reconcile the same with the turnover declared in Form GSTR 9.

Analysis

The following broad head of adjustments can be reported under this Sl.No.

- (a) turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements;
- (b) turnover discovered as 'supply' during the course of audit, but not considered in the books of account and Form GSTR 9

Turnover considered as 'supply' under GST but not considered as income in the audited Annual Financial Statements;

There could be instances where the transaction undertaken by the taxable person satisfies the definition of 'supply' but is not recognized as income in the books of accounts. Further, in certain cases, the transaction though considered 'supply' under the GST, may not be disclosed as turnover in the books of accounts as it would lead to the inflation of turnover, leading to incorrect figures. The following illustrations would help in understanding the adjustments which can be done under this Sl. No.: -

1. Physician sample distributed by a pharmaceutical company to a physician for free - Normally the samples are distributed free of cost to physicians and the cost of such samples is charged as expense to the Profit and Loss account. However, if it can be established that there is a non-monetary consideration flowing to the pharmaceutical

company, then the samples distributed would be liable to GST. Since the transaction would not be reported as turnover / income in the audited Annual Financial Statements and disclosed as taxable supply in GSTR 9, such turnover has to be added to the Gross turnover as declared in the audited Annual Financial Statement so as to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from inventory records as well as expenses in the Marketing/Sales promotion ledgers.

2. Notice pay recovered from employees – If the taxable person has considered the notice pay recovered from employees as a taxable supply but has not disclosed the amount as income in the Profit and Loss account, it would be reported under this Sl.No. and added to the gross turnover as per the audited Annual Financial Statement.

Data for such recoveries can be ascertained from credits in the Salary / Wages ledger maintained in the books of accounts.

3. Gifts given to customers/vendors/distributors – If it is established that there is a non-monetary consideration flowing to the taxable person distributing the gifts, such transactions would be liable to GST. The gifts purchased and distributed by the taxable person are normally charged as expense in the Profit and Loss account. However, if the taxable person has disclosed the same in GSTR 9, then adjustment has to be made in this Sl. No. to add it to the Gross turnover declared under the audited Annual Financial Statement to reconcile with turnover in GSTR 9.

Data for such transactions can be ascertained from inventory records as well as expenses in the Marketing/Sales promotion ledgers.

4. Stocks issued to discharge CSR obligations – Where the taxable person has considered stocks issued for discharge of CSR obligation as taxable supply, then the amount of such taxable value has to be added under this Sl. No. to reconcile with the turnover declared in GSTR 9.

Data for such transactions can be ascertained from inventory records as well as expenses in the CSR expenditure ledger.

5. Incentives / Rebate received from supplier and considered as supply under GST – Incentives / rebate received from the supplier could amount to taxable supply under the GST. Where the taxable person has reduced the incentive / rebate received from the cost of purchase in the books of accounts, the said amount would be added under this Sl. No. so as to reconcile with value declared in Form GSTR 9.

Data for such transactions can be ascertained from credit entries in the Purchase ledgers.

6. Sales promotion / advertisement reimbursement received and considered as supply – taxable persons may receive a portion of the advertisement cost / sales promotion expense as reimbursement from the supplier. Such reimbursements received could be considered a taxable supply from the taxable person to the supplier and accordingly could be liable to GST. Such reimbursements received are normally deducted from the advertisement / sales promotion expenses in the Profit and Loss account. In such a situation, the amount of reimbursement received is to be added to the gross turnover declared in the audited Annual Financial Statement.

Data for such transactions can be ascertained from credit entries in the Sales promotion / Marketing expense ledgers.

7. Out of pocket expenses considered in the value of supply – Where the taxable person has received some out of pocket expenses and has considered the same as the value of supply of goods/services, such amount should be added under this Sl. No. to reconcile with the amount disclosed in Form GSTR 9. This is on the presumption that the out of pocket expenses received have not been considered income in the Profit and Loss account.

Data for such transactions can be ascertained from credit entries in the expense ledgers.

8. Sale of capital goods – In respect of sale of capital goods, only the profit / loss arising on the sale of such capital goods is disclosed in the Profit and Loss account. However, the GST on the supply of capital goods is leviable on the transaction value or input tax credit is reversed as per the formula prescribed in Section 18(6) of the CGST Act. In order to reconcile the difference, the profit / loss arising from the sale of such capital goods has to be deducted from the Gross turnover of the audited Annual Financial Statement and the value on which GST has been paid has to be added under this Sl. No. to reconcile with the amount disclosed in Form GSTR 9.

Data for such transactions can be ascertained from deletions disclosed in the Fixed Asset schedule.

9. Inward supply returns considered as Outward supply – taxable persons may have adopted the practice of raising a tax invoice for the purpose of inward supply returns. However, for the purpose of accounts, the same would be considered inward supply return and reduced from the total purchase value instead of disclosing as revenue in books of accounts. In such a situation, the aggregate value of inward supply returns which have been considered outward supply under the GST have to be added to the Gross turnover as per the audited Annual Financial Statement to reconcile with the amount disclosed in Form GSTR 9

Data for such transactions can be ascertained from credit entries in the Purchase ledgers.

10. Outward supply returns considered as Inward supply – Where taxable persons have adopted the practice of treating outward supply returns as inward supply but have reduced such outward supply return from the revenue, then the aggregate value of such turnover has to be reduced from the gross turnover declared in the audited Annual Financial Statements to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from credit entries in the Sales ledgers.

11. Sales return relating to sales made for the period prior to July 2017 – As per Section 142(1) of the CGST Act, in respect of goods on which duty/tax had been paid under the existing law, but were returned on or after 01.07.2017, the taxable person was entitled to claim refund of the tax paid under the existing law, but the person to whom the goods were supplied was not registered. In such a situation the sales return would not have been disclosed in the GST returns. However, the sales return would have been deducted from the revenue in the books of accounts. Therefore, the value of such sales return should be added to the gross turnover declared in the audited Annual Financial Statements. In respect of goods returned by a customer who was registered, as per Section 142(1), the customer should raise tax invoice and return the goods. In such a situation, the discussion in point no. 10 would be applicable.

Data for such transactions can be ascertained from credit entries in the Sales ledgers.

12. Income in Profit and Loss account recognized based on special circumstances – In respect of taxable persons engaged in construction services, the revenue in Profit and Loss account is recognized based on Percentage of Completion method, and the turnover under the GST would be based on the advances received towards such construction services. In such a situation, the turnover recognized in the Profit and Loss account should be reduced and the value of advances on which GST is liable to be paid has to be added to reconcile with the turnover declared in Form GSTR 9.

Data for such transactions can be ascertained from the amount disclosed in the Profit and Loss Account and the Notes to Accounts forming part of the audited Annual Financial Statements.

13. Inputs and Capital Goods sent to job worker but not returned within the prescribed period of one year or three years, respectively – As per Section 143(3) and 143(4) of the CGST Act, where goods and inputs are sent to a job worker and are not received back within the prescribed period of one year or three years respectively, it would be deemed to be a supply as on the date on which such goods were sent to the job worker. However, such supply may not be treated as income in the audited Annual Financial

Statements. In such a situation, the value on which GST is liable to be paid on the goods sent to the job worker is liable to be added under this point.

Data for such transactions can be ascertained from the inventory records and Form ITC-04.

14. Goods sent on approval basis but not approved and received back within the prescribed period – Goods supplied on approval basis, but not approved within a period of six months from the date of goods sent, is deemed to be supply under the GST. Where the taxable person has disclosed such supply in GSTR 9, but not considered as income in audited Annual Financial Statements, adjustment should be made under this Sl. No.

Data for such transaction can be ascertained from the inventory records, delivery challans and e-way bills raised.

15. Invoice for taxable turnover of Rs. 50,000/- has not been considered in GSTR 3B, GSTR 1 and GSTR 9. However, such invoice has been considered in the audited Annual Financial Statements. In such a situation, the invoice of Rs. 50,000/- should not be reduced as an adjustment under this Sl. No. This un-reconciled difference should appear in Sl. No. 5R and suitable explanation should be provided in Sl. No. 6 of GSTR 9C and offered for tax in Sl.No. 11 of GSTR 9C.

It may be noted that the above transactions are only an illustrative list.

Turnover discovered as 'supply' during the course of audit, but not considered either in books of account and Form GSTR 9

In respect of transactions which are neither reported in the audited Annual Financial Statements and Form GSTR 9 but are considered 'supply' by the Auditor, have to be reported under this Sl. No. This is for the reason that any adjustment made under this Sl. No., would be reflected in Sl. No. 5P and subsequently in Sl.No. 7A. An illustrative list of transactions which could be reported under this Sl.No. is provided below: -

1. Physician samples issued to doctors
2. Notice pay recovered from employees
3. Stocks issued for CSR obligations
4. Gifts given to customers/vendors/distributors
5. Costs incurred on account of other branches / other entities omitted to be cross-charged
6. Goods sent on approval basis but not approved and received back within the period of 6 months from the date of goods being sent.

Amounts not disclosed in the audited Annual Financial Statements and Form GSTR 9

Where any transaction has not been reported in the audited Annual Financial Statements and Form GSTR 9, it has to be disclosed in Sl. No. 5O and Sl. No. 6 of GSTR 9C. It is relevant to note that the Auditor's role is not to carry out an investigation to find all the transactions which should have been considered as turnover but not have been reported in GSTR 9. The requirement in table 5 of GSTR 9 is to reconcile turnover which has either been reported in GSTR 9 or the audited Annual Financial Statements. However, in the case of any transaction that is apparently visible, the Auditor is required to disclose the same in table 5O and explain the same in table 6 of Form GSTR 9.

➤ **Source of information**

All the information reported here can flow from the Profit and Loss Account, Notes forming part of the audited Annual Financial Statements, Fixed Asset Schedule, Credit entries in expense ledgers, Inventory records and Form ITC-04.

Notes to consider

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Only adjustments permitted under the framework of the law should be adjusted under this Sl. No.
- All transactions which have an implication under GST, but not considered as income in the audited Annual Financial Statements, should be added under this Sl. No. This is for the reason that any adjustment made in this Sl. No., would be reflected in Sl. No. 5P and subsequently in Sl. No. 7A.
- Only those adjustments which are permissible under the framework of law should be considered here. In other words, adjustments should not be made under this Sl.No. merely to bring Sl.No. 5R to 'Nil'.
- NIL rated supplies, Non-GST supply and exempt supply should not be reduced as an adjustment under this S.No.

Conclusion

Clause 5O is an important Sl.No. and due attention has to be paid for the adjustments made under this Sl.No. This would be a key area for scrutiny by the department during audit and assessment. Adjustments under this Sl.No. merely for the purpose of reconciling turnover of audited Annual Financial Statements with turnover declared in Form GSTR 9 should not be made as follows (not an exhaustive list):

SI No.	Particulars	Action	Amount
1	Samples distributed by the pharmaceutical company to physician for free	(+)	
2	Notice pay recovered from employees	(+)	
3	Gifts given to customers/vendors/distributors	(+)	
4	Stocks issued to discharge CSR obligation	(+)	
5	Incentives / Rebate received and considered as supply under GST	(+)	
6	Sales promotion / advertisement reimbursement received and considered as supply	(+)	
7	Out of pocket expenses considered in the value of supply	(+)	
8	value on which GST paid on sale of Capital Goods	(+)	
9	Profit on the sale of Capital goods disclosed in the audited Annual Financial Statements	(-)	
10	Loss on the sale of Capital goods disclosed in the audited Annual Financial Statements	(+)	
11	Inward supply returns considered as Outward supply	(+)	
12	Outward supply returns considered as Inward supply	(-)	
13	Income in Profit and Loss account recognized based on special circumstances	(-)	
14	value on which GST is liable to be paid in respect of transactions where income is recognized based on special circumstances	(+)	
15	Discounts which are not to be excluded from the value of supply as per Section 15	(+)	
16	Any other amount	(+) / (-)	

SI. No. 5P: Annual turnover after adjustments as above

5P	Annual turnover after adjustments as above	<Auto>
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Introduction

The reconciliation statement in SI.No.5P is auto-populated and based on the values declared against SI. Nos. 5B to 5O.

Analysis

The notified format provides for various adjustments to the revenue declared in the audited financial statements to arrive at the turnover under the provisions of the GST law. The result of all such adjustments to the revenue as per the audited annual financial statements is termed 'Annual turnover after adjustments as above', which would be auto-populated in accordance with the pre-determined formula viz., revenue as per the audited annual financial statements add / less various adjustments to be declared against Sl.No.s 5B to 5O. The turnover arrived at Sl.No. shall comprise the following:

- (a) Taxable turnover of outward supply of goods and / or services;
- (b) Exempt turnover of outward supply of goods and / or services;
- (c) Non-GST outward supplies turnover;
- (d) Exports of goods and / or services turnover;
- (e) Outward supplies liable to GST under reverse charge mechanism.

Notes to consider

Since, Sl.No. 5P is auto-populated common errors enumerated under Sl.No.s 5A to 5O would be relevant.

Conclusion

The auto-populated turnover arrived at Sl.No. 5P should ideally be the turnover to be declared in Sl.No. 5Q if the turnover is reckoned in terms of the provisions of the GST law and is declared appropriately in the outward in GSTR – 1 and annual return in GSTR – 9. In the event of any difference, the same should be reconciled and the reasons mentioned in Part II Sl. No. 6.

Sl. No.5Q: Turnover as declared in Annual Return (GSTR 9)

5Q	Turnover as declared in Annual Return (GSTR9)	
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Table No.	Instructions
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).

Introduction

Clause 5Q requires a taxable person to disclose his turnover as per the Annual Return i.e., GSTR 9 filed for the relevant financial year. Therefore, the turnover arrived at Sl.No. 5N as per the Annual Return in GSTR – 9 should be declared under Sl.No. 5Q. Accordingly, the Annual

Return in GSTR – 9 should be filed along with or before filing the reconciliation statement in Form GSTR – 9C.

Analysis

➤ *Source of information*

The turnover arrived at SI.No. 5P of Form GSTR 9C as stated earlier, should match with the turnover as declared in the Annual Return if the turnover is reckoned appropriately as per the GST law and declared in the returns filed in GSTR – 3B and the annual return in GSTR – 9. The turnover as arrived at SI.No. 5N of the Annual Return in Form GSTR 9 shall be the turnover to be declared against SI.No. 5Q.

➤ *Validation of information*

The turnover as arrived at in SI.No. 5N of the Annual Return in Form GSTR 9 would comprise the sum of the following and accordingly, the source information may be validated by adopting the appropriate audit techniques:

- (i) Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table 4 of Form GSTR 9)
 - (a) Supplies made to un-Registered Persons (B2C)
 - (b) Supplies made to Registered Persons (B2B)
 - (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ)
 - (d) Supplies to SEZ on payment of tax
 - (e) Deemed exports
 - (f) Advances on which tax has been paid but invoice has not been issued

The above shall be adjusted by the value of:

- (a) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and annual return in GSTR – 9C;*
- (b) *Supplies declared or reduced through amendments;*
- (ii) Details of outward supplies on which tax is not payable as declared in returns filed during the financial year (as per Table 5 of GSTR 9)
 - (a) Zero-rated supply (export) without payment of tax
 - (b) Supply to SEZ without payment of tax
 - (c) Supplies on which tax is to be paid by the recipient on reverse charge basis

- (d) Exempted supplies (excluding nil-rated and non-GST supply)
- (e) Nil-rated supplies
- (f) Non-GST supplies

The above shall be adjusted by the value of:

- (c) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and annual return in GSTR – 9C;*
- (d) *Supplies declared or reduced through amendments;*

The aggregate of the turnovers declared under (i) and (ii) sums up the entire gamut of outward supplies affected by a taxable person under the GST regime. It is important to note that the sum determined above shall not include inward supplies liable to tax under reverse charge basis. In other words, this amount may be regarded as the “turnover in State” or “turnover in Union territory” as defined in Section 2(112) of the CGST Act / SGST Act.

Notes to consider

- (i) The turnover as declared in the monthly return in GSTR – 1 by virtue of which the same is declared in the annual return in GSTR – 9 may not include all the taxable outward supplies on account of omissions or errors. Such differences in the turnover should not be adjusted under SI.No. 5O for the purpose of matching the turnover between the annual return and the audited annual financial statements. The turnover as arrived at SI.No. 5N of the Annual Return in Form GSTR 9 shall be declared against SI.No. 5Q of GSTR 9C. The differences in turnover as per the audited annual financial statement and the turnover as per the annual return in GSTR – 9 should be reconciled and the reasons thereof should be mentioned at Part II SI. No. 6.

Additional notes to consider

- (i) The annual return in GSTR – 9 would be furnished by a taxable person. Therefore, the turnover, taxes paid / payable, input tax credit etc., as declared therein should be validated with the returns filed in GSTR – 3B and other statements like GSTR – 1, GSTR – 2 (if filed), etc.;

SI. No. 5R: Un-reconciled turnover (Q-P)

5R	Un-Reconciled turnover (Q - P)	AT1
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Introduction

The un-reconciled turnover at SI. No. 5R is the difference between the 'Annual turnover after

adjustments as above' at Sl.No. 5P and 'turnover as declared in the Annual Returns (GSTR 9)' as declared at Sl.No. 5Q. The difference would be auto generated.

Analysis

➤ *Source of information*

This is the auto generated value.

➤ *Validation of information*

The value of supplies either taxable, exempted or non-GST outward supplies not declared in the monthly returns and annual returns would form part of the auto-generated value at Sl.No. 5R. The reasons for such un-reconciled turnover should be given under Part II Sl. No. 6 of the reconciliation statement in GSTR – 9C. This could lead to any one of the following two situations:

- (i) **The 'Annual turnover after adjustments as above' at Sl.No. 5P is higher than the 'turnover as declared in the Annual Return (GSTR 9)' at Sl.No. 5Q:** This situation arises if a taxable person has not declared some taxable outward supplies, exempted supplies and non-GST outward supplies. The value of taxable supplies forming part of the differences should be declared under Part III Sl. No. 11 and the applicable taxes thereon shall be paid appropriately by cash. The differences in exempt supplies and non-GST outward supplies shall be declared against Part II Sl. No. 7B or 7C as *the case may be* and reduction from the total turnover may be sought.
- (ii) **The 'Annual turnover after adjustments as above' at Sl.No. 5P is lower than the 'turnover as declared in the Annual Return (GSTR 9)' at Sl.No. 5Q:** This situation may arise if a taxable person has erroneously declared a higher turnover in the monthly return in GSTR – 3B and the annual return in GSTR – 9. The reconciliation statement in GSTR – 9C does not specifically provide to claim the benefit of tax paid erroneously. The statement which would be made available on the GST portal should be checked to verify whether the taxable value at Sl. No. 11 may be declared in the negative so that refund of tax remitted on such turnover can be claimed. Clarification on this issue is awaited.

Notes to consider

- (i) The turnover arrived at Sl.No. 5P may be higher than the turnover as per the annual return to be declared at Sl.No. 5Q on account of not declaring certain turnovers which could be either taxable outward supplies, exempted outward supplies or non-GST outward supplies in the monthly returns and annual returns. If certain taxable outward supplies are not declared in the monthly / annual returns and exempted supply / non-

GST outward supplies are declared appropriately in the monthly return and annual return, the unreconciled turnover arrived at Part II Sl. No. 5R should match with the unreconciled taxable turnover arrived at Part II Sl. No. 7G.

- (ii) If the taxable person has not declared the exempt supplies and non-GST outward supplies in the monthly / annual return, the unreconciled turnover at Part II Sl. No. 7G should be lower than the unreconciled turnover arrived at Part II Sl. No. 5R to the extent of the value of exempt supply and non-GST outward supply not declared in the relevant return. This check would also hold good where the zero-rated supply and supply liable to tax under reverse charge mechanism is not declared in the relevant return.

Sl. No. 6- Reasons for Un - Reconciled difference in Annual Gross turnover

6	Reasons for Un - Reconciled difference in Annual Gross Turnover	
6A	Reason 1	<<Text>>
6B	Reason 2	<<Text>>
6C	Reason 3	<<Text>>

Table No.	Instructions
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.

1. Introduction

This portion of GSTR 9C identifies the turnover differences to be placed on record for explaining the differences between the GST Returns and the Audited Financials. All the information filled up in the GST returns has to be flown from the Books of Accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the Registered Person a on special approval basis, which are not reconciled at turnover level should be disclosed in this Sl.No.

For instance, the mechanism for the determination of Revenue in case of Sale of a Capital Asset shall differ for the value to be disclosed in the GST Returns compared with that of the practice adopted in the Book of Accounts

2. Analysis

- (a) Source of information

The data which has to be filled up in this table is a conclusion drawn up on account of a Reconciliation for the turnover as per the Books of Accounts compared with the Annual Return.

Further, review of the transactions effected through the E-Way Bill gives the exceptional transactions if any to be reported through the above reconciliation

(b) Relevant document/ Books/ Records

Examine the turnover available as per the Audited Financial Statements with that of the Annual turnover determined as per GSTR 9. Information available in Notes to Accounts as per the Audited Financial statements gives the additional information for the Exceptions if any to the regular practice of maintenance of the Books of Accounts.

(c) Validation of information

Information has to be compared on equitable basis for clarity on what is to be compared as turnover considered in the Financial Statements with that of the turnover compared in the GST Returns. For instance, turnover on the sale of Fixed Assets should be considered for the whole consideration value in the GST Returns. However, only Profit/Loss on such sale shall be considered in the Books of Accounts. For having an equitable basis for both the turnovers, we need to gross up the Profit/Loss in the Books of Accounts for a matching comparison with the GST Returns.

3. Illustration

The following illustrations can be considered for reporting the reconciliation differences:

- (a) Capital Gain/ Loss on sale of a Fixed Asset recorded in the Books for turnover purpose compared with the Total consideration available in GST Returns
- (b) Government grant received on account of Capital/Revenue commitment needs a special disclosure in the Books based on the conditions to be complied with. However, disclosure of the total sum in the GST Returns in the period of its receipt shall call for the reconciliation as per above
- (c) Transaction reported in a Delivery challan during the financial year for supply on sale or approval basis beyond a period of six months shall be deemed to be a supply under GST. However, that may not be a sale for revenue recognition in the Books for such transactions. Assuming GST Returns carry the supply details and no revenue recognition has been done in the Books of Accounts, this shall call for the reconciliation

4. Notes to consider

Possible errors in the preparation of the above reconciliation are given below:

- Discrepancy on account of transactions recorded on the expense allocation shall not be cast in this para for the purpose of reconciliation
- Turnover as per the Books is not explained duly for the purpose of this reconciliation. Head of the revenue applicable as per the Books may not be cast to be the same as per

the supply in GST Returns filed. Extra caution is required for identification and segregation in this regard

5. Auditors

(a) Note

The Auditor shall make a reference to the basis for reconciliation of the turnover related adjustments called for on the basis of the information available in the Notes to Accounts and any special adjustments caused by reference to other statutory requirements

(b) Qualification

The Auditor needs to report whether the Books and Returns can be compared and quantify the reasons duly justifiable for the discrepancies reported, if any.

(c) Disclosure

The Auditor should make a disclosure regarding the reasons that come in the way of the reconciliation process or concluded for sake of clarity on taxable nature.

Sl. No. 7B. Value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover

7	Reconciliation of Taxable Turnover	
7A	Annual turnover after adjustments (from 5P above)	<Auto>
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply Turnover	

Table No.	Instructions
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Clause 7B requires reduction of value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover from the Annual turnover after adjustments to arrive at taxable turnover. In order to comprehend the scope of these Sl.Nos. we need to understand the terms “Exempted, Nil rated, Non-GST supplies, No-Supply”. This shall be reported net of credit notes, debit notes and amendments if any.

Analysis

All the supplies on which tax has not been charged except for exports and reverse charge supplies should be reported under Clause 7B. The information can generally be obtained from the credit side of the Profit and Loss account. In case of a barter transaction, the sale of fixed assets at loss etc would not appear in the profit and loss account. Therefore, that information shall be obtained from the fixed assets schedule or the stock register. The value of No-supply can be taken as reported in the Books.

Validation of information

Clause 7B essentially comprises the following 4 classes / types of supplies:

- (a) Supplies taxable at a 'NIL' rate of tax; please refer NN 11/2017-CT(R) contains Sl. No. #16 and # 24 where the prescribed rate is 'nil';
- (b) Supplies that are wholly or partially exempted from CGST, SGST or IGST, by way of a notification; E.g.: Milk, water, education service, health care services, etc.,
- (c) Non-taxable supplies as defined under Section 2(78) of the CGST Act – supplies that are not taxable under the Act (viz. alcoholic liquor for human consumption).
- (d) No supplies include the activities covered under Schedule III which are neither a supply of goods nor a supply of services. Examples- Sale of land or completed building, actionable claims, other than lottery, betting, and gambling.

The definition of exempt supply u/s 2(47) covers three out of four terms used in Clause 7B and is also a part of disclosures in Form GSTR 1, GSTR 3B and GSTR 9. Further, instruction to Sl No. 5D, 5E and 5F of GSTR 9 specifically includes the value of 'no supply'. Therefore, the turnover disclosed as 'no supply' would appear only in GSTR 9 and GSTR 9-C. With this instruction, the Auditor needs to disclose data relating to each sub-group within the definition of 'exempt supply', whether or not they were reported in GSTR 1 and GSTR 3B.

Illustration

The following supplies would form part of the reporting under value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover in the case of a hospital:

- (a) Consultation fees received by the hospital Rs.2,50,00,000/- (Exempted supply)
- (b) Diagnostic services provided by the hospital Rs.40,00,000/- (Exempted supply)
- (c) Excess petrol available in the hospital sold to a related party Rs.10,000/- (Non-GST supply)
- (d) Land sold by the hospital Rs.5,00,00,000/- (No-supply)

Common errors /control checks

The following are the control checks that a person should perform for validation of the amounts reported under this head:

- Cross link with corresponding items in GSTR FORM 9 – Part II Sl.No. 5D, 5E and 5F;
- Notes to GSTR FORM 9-C may be drafted for this Sl.No. as to the manner of its quantification from the Books and records and correlated with returns filed in GSTR Form 3-B;
- To be cross checked with exempted turnover computation for the purpose of Section 17(2).

Auditors' Notes to consider

The value of No-supply as reported in books is considered to be the actual value for the purpose of reporting in GSTR 9-C.

Conclusion

Therefore, Clause 7B of Part II to GSTR 9-C would contain the value of Exempted, Nil rated, Non-GST supplies, No-Supply turnover.

Sl. No. 7C. Zero rated supplies without payment of tax

7C	Zero rated supplies without payment of tax	
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Table No.	Instructions
7C	Value of zero-rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Clause 7C of GSTR 9C requires disclosure of value of zero-rated supplies without the payment of tax which forms part of the 'Annual turnover after adjustments (from 5P above)' at Sl.No. 5P. This should also consist of the value of zero-rated supplies which have not been declared in the monthly return / annual return erroneously for the reason that the adjusted turnover at Sl.No. 5P contains even such zero-rated supplies. Therefore, such value of zero-rated supplies should be deducted from the adjusted annual turnover arrived at Sl.No. 5P so as to claim exemption. In short, the zero-rated supplies as recorded in the audited annual financial statements should be declared against Sl.No. 7C provided such zero-rated supplies have also not been declared in monthly returns filed for the period April to September following the relevant financial year.

Analysis

Zero rated supply under the provisions of GST law means:

- (a) Exports of goods or services or both.
- (b) Supply of goods or services or both to Special Economic Zone developer /Special Economic Zone unit.

The zero-rated supplies can be effected either by payment of tax or without payment of tax upon filing a letter of undertaking (LUT). Since, under SI.No. 7 the taxable turnover as arrived from the revenue recorded in the audited annual financial statement should be reconciled with the taxable turnover as declared in the monthly returns / annual returns, only zero-rated supplies without payment of tax should be declared against SI.No. 7C.

In case of export of goods, the tax Invoices are issued prior to the issuing of shipping bill for entering goods into the customs area in inland container depot. The recognition of revenue in the financial statement would depend upon the terms of agreements with the buyer. The terms of contract can be free on-board basis (FOB) or Cost Insurance Freight basis (CIF).

In case of the FOB contract the revenue is recognized on the date of actual shipment or filing of bill of lading as the risk of title and ownership is transferred to the foreign buyer when the goods are boarded on the conveyance.

In the case of CIF contract the revenue is recognized on the date of receipt of delivery by the foreign buyer. In such instances the insurance and freight are borne by the supplier and the risk of title and ownership is transferred to the buyer on delivery to the foreign buyer.

Revenue cannot be recognized based on the Invoice date and hence such revenue may be classified as unearned revenue till the actual shipment when bill of lading is filed and goods are handed over to the person in charge of the conveyance. Therefore, in the case of FOB contract, such unearned revenue shall be recognized as revenue from the sale of goods on the date of actual shipment/filing bill of lading.

Therefore, in such instance the foreign buyer account would be debited with unearned revenue on the date of issue of tax Invoice and in case of recognition of revenue, the sales entry would be passed by deducting the unearned revenue.

Illustration:

- (a) Foreign buyer A/c – Dr
 To Unearned revenue A/c
 (On the date of issue of tax Invoice)
- (b) Unearned Revenue A/c- Dr
 To Sales A/c
 (On the date of recognition of revenue)

Therefore, where the tax invoice is issued prior to 31st March 2018 and shipping bill / delivery of goods takes place after 31st March, 2018 it is relevant to understand the manner in which the transactions are not recorded in the financial statements. If the exports are recognised as revenue for the financial year 2017-18, such value of exports should be declared against Sl.No. 7C. However, if the exports are recorded as unearned revenue in the annual audited financial statement as on 31st March 2018, this would not form part of the revenue at sl no. 5A for 2017-18. where such turnover not be declared in sl. No. 5O as an adjustment.

The export transactions effected without the payment of IGST (Under Bond/Letter of undertaking (LUT) are reported on Invoice basis:

- (a) Table 6A and 6B and Table 9 A and 9C of GSTR 1.
- (b) Table 5A and 5B and for Amendments in Table 5J and Table 5K in Form 9
- (c) Table 7C of Form 9C

Therefore, the exports turnover as recognized as per the Audited Financials has to be reconciled with the

- (a) Exports with payment of taxes
- (b) Exports without payment of taxes
- (c) Unearned Revenue
- (d) Any other items

➤ **Source of information**

The source of information for zero-rated supplies shall be obtained from the outward supply statement in GSTR – 1 and revenue register forming part of books of accounts. The outward supply statement filed in GSTR -1 shall be correlated with the zero-rated supplies declared in the monthly returns in GSTR – 3B.

➤ **Validation of information**

In respect of export of goods without payment of duty, the data may be verified in the following manner:

- (a) invoices along with packing list issued for export of goods;
- (b) shipping bill / bill of lading;
- (c) application seeking refund of input tax credit, if any along with the details / documents filed therewith;
- (d) verification of shipping bills from ICEGATE portal on a sample basis;
- (e) letter of undertaking in Form GST RFD – 11 filed – since, the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

- (f) foreign inward remittance may be verified even though it is not mandatory in case of export of goods;

In respect of supply of goods to SEZ without payment of taxes, the data may be verified in the following manner:

- (a) Invoices by the supplier. The invoice would contain the endorsement of the SEZ officer;
- (b) purchase order issued by the SEZ recipient;
- (c) agreement for supply of goods, if any between the supplier and the SEZ-recipient;
- (d) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

In respect of export of services, the data can be validated in the following manner:

- (a) the invoices issued for export of services;
- (b) purchase order, if any, issued by the recipient of services;
- (c) the agreement between the supplier of services and the recipient of services;
- (d) bank statement or the certificate issued by the bank for inward remittance of foreign exchange;
- (e) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;
- (f) application seeking refund of input tax credit, if any, along with the relevant documents;

In the case of supply of services to SEZ without payment of taxes, the outward supplies can be validated in the following manner:

- (a) Verification of the copy of invoice. As a practice, the SEZ-recipient issues a copy of the invoice endorsed by the specified officer of the concerned SEZ.
- (b) purchase order issued by the SEZ-recipient;
- (c) agreement between the supplier of services and the recipient of services;
- (d) the default list of the authorised operations list of the SEZ-recipient if available with the supplier may be verified;
- (e) letter of undertaking in Form GST RFD – 11 filed – since the services cannot be exported without payment of taxes only if the letter of undertaking is filed prior to export;

Notes to consider

Possibilities of errors while disclosing the zero-rated supplies without payment of taxes in GSTR 1 and GSTR 3B are:

- (a) Zero-rated supplies with payment of tax should not be declared against SI.No. 7C. Such exports would form part of the taxable turnover to be arrived at SI.No. 7F;
- (b) The option to export or supply to SEZ without payment of tax is available only if the letter of undertaking is filed. Due caution should be exercised if the letter of undertaking is not filed and the tax is also not remitted. In such a scenario, exemption claimed should not be disallowed on the grounds that the letter of undertaking is not filed in case if the export supplies or SEZ supplies are fructified. In this regard, attention is drawn to Circular No. 37/11/2018 – GST dated 15.03.2018 wherein it is clarified that substantial benefits of zero-rated supplies should not be denied if it is established that the goods or services have been exported. In such a scenario, the Auditor may issue the certificate with necessary audit note in this regard.
- (c) Rule 96A specifies that a taxable person would be liable to pay applicable tax along with interest within fifteen days from the following date:
- In case of goods – after the expiry of three months or such further period as may be allowed by the Commissioner from the date of issue of the invoice for export, if the goods are not exported out of India;
 - In case of services – after the expiry of one year or such further period as may be allowed by the Commissioner from the date of issue of export invoice, if the payment is not received by the exporter in convertible foreign exchange.
- If the tax is remitted in terms of Rule 96A of CGST / SGST Rules, the relevant zero-rated supplies should not be declared against SI.No.7C since the tax on such supplies have been remitted.
- (d) Where a taxable person is effecting zero-rated supplies without payment of tax and certain zero-rated supplies with payment of tax, due caution should be exercised to bifurcate the zero-rated supplies without payment of tax and accordingly, declared them against SI.No. 7C.

Additional Notes to Consider

The following has to be ensured while validating the value of zero-rated supplies without payment of tax reported under this head:

- (a) The GSTIN wise bifurcation of zero-rated supplies without payment of tax effected has to be arrived at appropriately;
- (b) The tax remitted under Rule 96A of CGST / SGST Rules, if any, should be identified. The zero-rated supplies relating to such remittance should not be declared against SI.No. 7C.

- (c) Goods exported in pre-GST regime, but recognised as revenue in GST regime in the audited annual financial statements, should be ascertained and such zero-rated supplies should be declared against SI.No. 50. Such zero-rated supplies may not qualify as turnover for the purpose of the GST law but would be accounted as revenue as per the audited financial statements.
- (d) The supplies effected under merchanting trade would not qualify as an export under the GST law. Accordingly, such supplies may not be declared under the reconciliation statement in GSTR – 9C.
- (e) Deemed exports, if any, effected by the taxable person shall not be declared against SI.No. 7C since, such supplies would not qualify as zero-rated supplies without payment of tax under the provisions of the GST law.

Conclusion

Zero-rated supplies without payment of tax effected by a Registered Person for the period July 2017 to March 2018 should be declared against SI.No. 7C. Zero-rated supplies on payment of tax shall form part of the turnover to be arrived at SI.No. 7F.

SI No. 7D - Supplies on which tax is to be paid by recipient on reverse charge basis

7D	Supplies on which tax is to be paid by the recipient on reverse charge basis	
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Table No.	Instructions
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.

Introduction

Section 2(98) defines reverse charge to mean a case where liability to pay tax is on recipient of supply of goods or service instead of supplier u/s 9(3) and 9(4) of CGST/ SGST Act or S.5(3) or 5(4) of IGST Act.

Analysis

Relevant Provisions

- (a) Relating to goods: N.No.4/17 CT (R) and 4/17 IT (R) dt.28.6.17, as amended.
- (b) Relating to services: N.No.13/17 CT(R) dt.28.6.17 and N.No.10/17 IT (R), as amended.
- (c) As per S.17(3) of the CGST/ SGST Act, 17, exempt supply shall include supplies on which the recipient is liable to pay tax under reverse charge. The meaning of this

provision is that where a supplier is supplying goods/ services, the tax on which is liable to be paid by recipient then such supply of goods/ services would be treated as exempt supply in the hands of such supplier.

Source of Information

The following documents may be verified for information:

1. The Auditor has to verify if the supplier has more than one vertical. One of them vertical must be on forward charge and one on reverse charge. The vertical on reverse charge should be taken under '*supplies on which tax is to be paid by recipient on reverse charge basis*'.
2. Data entered Table 4B of GSTR 1 (Supplies attracting tax on reverse charge) should be taken as the source for this information. The data would have been entered in Table 4B providing invoice level details
3. The aforesaid information should be also entered in Table 3.1(c) (Other outward supplies – Nil rated, exempted) of GSTR 3B
4. Table 7 provides for 'Reconciliation of taxable turnover'. Table 7A starts from the Annual turnover after adjustments. The data in Table 7A is auto populated from entries in Table 5P, which refers to 'Annual turnover after adjustments. From the said turnover, the following turnovers are reduced:
 - (a) value of the exempted turnover
 - (b) nil rated turnover
 - (c) Non-GST turnovers
 - (d) No Supply turnovers
 - (e) Zero rated turnover made without payment of tax
5. In light of the above, it can be inferred and concluded that the data to be entered under SI.No. 7D is supplies made by the supplier, on which tax is to be paid by the recipient.
6. It is reiterated at the sake of repetition that expenses on which tax is paid by registered person as recipient of service should not be inserted in this column and reduced from Annual Adjusted turnover since table 7 is seeking to reduce items from Annual turnover after adjustments to arrive at turnover of registered person which is liable to tax.

Validation of Information

- (i) The first level of validation would be cross verification between the ledger account of the outward supply which is liable to reverse charge, with the values entered in Table 4B of GSTR 1. The verification should be conducted month wise. If the data verified

pursuant to the aforesaid verification matches, then it would provide a level of comfort to the Auditor.

- (ii) The second level of validation is cross referencing the data in Table 4B of GSTR with data in Table 3.1(c). While cross referencing the data, only exempted supply on account of reverse charge should be extracted from Table 3.1. (c) After such extraction, any difference in Table 3.1. (c) and Table 4B would point to a prima facie mistake.
- (iii) The aforesaid outward supply subject to reverse charge to be entered in Table 7D of Form GSTR 9C is net of the debit and credit notes because these notes on account of the aforesaid outward supplies would have been accounted in Table 9B and 9C of GSTR 1.

Common Errors, Checks and Balances to validate correctness and completeness:

- (a) The value on which tax is paid under reverse charge u/s 9(3) and 9(4) may be wrongly entered here. What is to be entered in Table 7D is the supplier's/ Registered person's outward supply, which is liable to reverse charge by a third person and not by the supplier/ Registered person.
- (b) There could be cases where the supplier has charged tax in his invoice whereas tax ought not to have been charged but paid by the recipient. In such cases, where tax has been separately charged and shown in the invoices, then such tax, if collected "by the supplier from the recipient" ought to be paid to the government exchequer. If such tax has not been paid, then it is recoverable as per Section 76 of the CGST/ SGST Act.
- (c) The Auditor would have to verify if the GTA is availing ITC and charging GST @ 12%. If that is happening, then the said turnover would fall within the meaning of taxable turnover and not be declared under this entry.
- (d) In cases where GTA is neither charging GST nor availing ITC and GST is payable by the recipient under reverse charge, then the said turnover would come under this entry in 7D.
- (e) There could be cases where the supplier has paid tax on his outward supplies, which are liable to reverse charge. In such cases, though the supplier has paid tax, it is not legally correct. Such supplies on which tax has been paid wrongly on forward charge, though liable to tax under reverse charge, will still have to be entered in Table 7D and deducted from the Adjusted turnover to arrive at the taxable turnover.
- (f) Once the aforesaid turnover is treated as 'exempted turnover' for the supplier, the credit reversals under Rule 39, 42 and 43 of the CGST/ SGST Rules should be computed and reversed.
- (g) The credit reversals under Rule 42,43 of CGST/ SGST Rules find a specific mention in Table 4B (1) of GSTR 3B. Thus, the credit reversals should also be computed. Though

data relating to reversal of credit need not be uploaded in this entry i.e. Table 7D, it would be the Auditor's duty to verify if credit reversals have been made u/s 17 r/w Rule 39, 42 and 43 under the respective entries.

- (h) The Auditor would have to verify if the invoice issued with respect to aforesaid services contains a declaration that 'tax is payable under reverse charge' by the recipient of service as per Rule 46(p) of CGST/ SGST Rules, 2017. The aforesaid provisions shall apply to the receipt voucher and refund voucher as per Rules 50 and 51 of the CGST/ SGST Rules.
- (i) Where a person provides services to a body corporate as director and also provides services to other persons not in the capacity of a director, then the services provided in the capacity of the director to the body corporate would fall under Entry No. 7D whereas all other services provided by him would form part of the table turnover.
- (j) Similarly, where a person provides services as a recovery agent/ insurance agent and also provides services to bank/ insurance company in addition to his other services, then the consideration received from the bank/ insurance company should be entered in Table 7D and other services liable to forward charge should form part of taxable turnover as per Table 7E.
- (k) Temporary transfer of copyright by an author or music composer, photographer, artist, or the like, relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like u/s 13(1)(a) of the Copyright Act, 1957 ought to be mentioned in Table 7D. All other considerations received by them, including consideration received for temporary transfer of copyright u/s 13(1) (b) and 13(1) (c) of the Copyright Act, 1957 would be liable to tax under forward charge and included in Table 7E.
- (l) Table 3.1. (c) of GSTR 3B relating to other outward supplies includes NIL rated supplies and exempted supplies. As per S. 17(3), outward supplies which are liable to reverse charge shall be treated as exempted turnover for the supplier. Thus, the outward supplies liable to reverse charge would be included in this table. The aggregate of this turnover disclosed in GSTR 3B for July 17 to March 18 must be extracted and matched with invoice level details in the books of accounts and invoice level details entered in GSTR 1 (Table 4B). Data must be entered in Table 7D only after the aforesaid reconciliation.

Notes to GSTR 9C:

In case the invoice does not contain the declaration required under Rule 46 or credit has not been reversed under Rule 39, 42 or 43 or tax has been wrongly collected by the supplier on services liable for reverse charge (and retained by the supplier), then such infractions should be reported in the Audit Report because the Audit Report has to have disclosures regarding

non-maintenance of records and documents/ observations and inconsistencies relating to reversals of credit.

Illustration:

Please state which of the following are liable to reverse charge

- (a) GTA issued a consignment note on 1.1.18. The consignment notes charges GST @ 12%. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table 7D?
- (b) GTA issued a consignment note on 1.1.18. The consignment note does not charges GST. The consignor has booked the GTA. The recipient has paid the freight to GTA on 'to collect' basis. Would this turnover be mentioned in Table 7D?
- (c) Advocate Mr. X has provided legal service and charged GST of Rs. 18 on his invoice of Rs.100. The advocate's client has paid 118 to the advocate. The advocate has remitted Rs.18 to government and is of the opinion that the aforesaid transaction should not be reduced in Table 7D. Is the stand taken by the advocate correct?

Answers

- (a) The Consignment note contains GST @ 12%, so reverse charge does not attract as per N.No.13/17 CT (R) w.e.f 22.8.2017. Hence tax has to be paid by GTA under forward charge, and this transaction should not be entered in Table 7D.
- (b) Since consignment note has not charged GST @ 12%, reverse charge provisions would apply. Tax is to be paid by the person liable to pay freight, that is, the recipient and not the GTA under forward charge. Because of this, the impugned transaction has to be entered in Table 7D.
- (c) Supplies by a Registered Person, whose suppliers are liable for reverse charge, are to be inserted in Table 7D. Legal service provided by the advocate to his client is liable for reverse charge (assuming all other conditions in reverse charge notification stand satisfied). Hence the impugned transaction should be inserted in Table 7D. GST wrongly collected and paid by the advocate under forward charge will not change the fact that the aforesaid service is liable to reverse charge and hence merits insertion in Table 7D

Conclusion

It must be ensured that if the supplier has turnover which is liable to both forward charge and reverse charge then the turnover liable to reverse charge should be accounted in FORM 7D. It may be ensured for purposes of control that the aggregate of turnover under forward charge and reverse charge is the total turnover.

7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
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Table No.	Instructions
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.

The details of adjusted Total turnover needs to be broken down in accordance with the GST rates based on the reports generated from the books of accounts and necessary adjustments made in Part II of GSTR 9C which have not impacted the books of accounts of the Registered Person.

Sl. No. 7F - Taxable turnover as per liability declared in Annual Return (GSTR9)

7F	Taxable turnover as per liability declared in Annual Return (GSTR9)	
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Table No.	Instructions
7F	Taxable turnover as declared in Table (4N – 4G) + (10-11) of the Annual Return (GSTR9) shall be declared here.

Introduction

Clause 7F of GSTR 9C requires that the taxable turnover as per the liability declared in the Annual Return (GSTR 9).

Analysis

Source of information

Instruction as per GSTR 9C – The value of taxable turnover which shall flow from GSTR 9 shall be declared here. The taxable turnover from GSTR 9 for Table 7F shall be as under

4N. Supplies and advances on which tax is to be paid (H + M) above	xxx
Less 4G. Inward supplies on which tax is to be paid on reverse charge Basis	xxx
Add 10. Supplies / tax declared through Amendments (+) (net of debit notes)	xxx
Less: 11. Supplies / tax reduced through Amendments (-) (net of credit notes)	xxx
Taxable turnover to be declared in Table 7F	xxxx

The information must flow from GSTR 9 which contains supplies and advances on which tax is paid as per Table 4N deducting therefrom the inward supplies on which tax is to be under reverse charge and adjustment on account of supplies made in previous FY declared in returns of April to September of the Current FY (in case of 2017-2018, in the return for 2018-

19) as declared in Table No 10 & 11. The turnover arrived at Part II Sl. No. 7F of Form GSTR 9C should match the turnover as declared in the Annual Return.

Validation of information

The taxable turnover arrived at in S.No. 4N of the Annual Return in Form GSTR 9 will comprise the sum of the following and accordingly, the source of information may be validated adopting the appropriate audit techniques:

Details of advances, inward and outward supplies on which tax is payable as declared in the returns filed during the financial year (as per Table 4 of Form GSTR 9)

- (a) Supplies made to un-Registered Persons (B2C)
- (b) Supplies made to Registered Persons (B2B)
- (c) Zero rated supply (Export) on payment of tax (excluding supplies to SEZ)
- (d) Supplies to SEZ on payment of tax
- (e) Deemed exports
- (f) Advances on which tax has been paid but invoice has not been issued for the period of audit.
- (g) Inward supplies on which tax is paid under reverse charge mechanism

The above shall be adjusted by the value of:

- (a) *Credit notes and Debit notes issued during the year in respect of transactions specified in (b) to (e) above and declared in the monthly return in GSTR – 9 / and the annual return in GSTR – 9C;*
- (b) *Supplies declared or reduced through amendments;*

It is relevant to note that the credit note and debit note issued after the end of the financial year should not be adjusted against the turnover. Such adjustments whether by way of amendments or by issuing debit/credit notes post March 31st of the relevant financial year shall form part of the turnover/annual return filed for the financial year in which such adjustment was made, or debit/credit note was issued.

The taxable turnover also includes adjustment of previous FY made in the current FY as disclosed in Table 10 and Table 11 of the GSTR 9.

For the detailed process of validation refer to Handbook on Annual Return- GSTR 9 Table 4.

Notes to Consider

GSR-9C contains notes disclosing certain limitations inherent in this exercise:

- Details of GSTR 9 prepared and filed by the Registered Person has been provided in GSTR 9C.

Conclusion

Therefore, in Sl.No. 7F of GSTR 9C taxable turnover as declared in the Annual Return in GSTR 9 Sl.No. (4N – 4G) + (10 – 11) would have to be disclosed.

Sl. No.8 Reasons for Un - Reconciled difference in Taxable Turnover

8	Reasons for Un - Reconciled difference in taxable turnover	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

Introduction

This part of GSTR 9C explains the reason for difference in taxable turnover as derived as per GSTR 9C i.e. Audited Financials and as per GSTR 9 i.e. GST Return. All the information filled up in the GST returns has to flow from the Books of Accounts. However, the un-reconciled turnover on account of disclosure norms as per the Accounting Standard issued by the ICAI or other statutory provisions or practices adopted by the Registered Person on special approval basis, which are not reconciled at turnover level should be disclosed in this Sl. No.

For instance, the mechanism for the determination of Revenue in case of Sale of a Capital Asset shall differ for the value to be disclosed in the GST Returns compared with that of the practice adopted in the Book of Accounts.

Analysis

Source of information

The data which has to be filled up in this table is drawn out of Sl. No. 5, 6, 7. Further, review of the transactions effected through the E-Way Bill gives details about the exceptional transactions, if any, to be reported through the above reconciliation

Relevant document/ Books/ Records

Examine the Agreements, Work Order, Purchase Order etc., to check the tax applicability. If any exemption benefits have been availed, check if the conditions for availing them have been met. Examine the existence and validity of LUT obtained for the Zero-rate supplies made.

Validation of information

Reconciliation difference derived in Table 5 and Table 6 of Part II of GSTR 9C shall be considered

Illustration

The following illustrations can be considered for reporting the reconciliation differences:

- (a) Zero-rated supply made by the registered person during the previous year. If the conditions relevant for the supply have not been complied by the registered person, then the supplies can be construed to be regular supplies.
- (b) Transaction reported in a delivery challan during the financial year for supply on sale or approval basis beyond a period of six months shall be deemed to be supply under the GST. However, that may not be a sale for revenue recognition in the books of accounts for such a transaction. Assuming the GST returns carry the supply details and no revenue recognition has been done in the books of accounts, this shall call for reconciliation.
- (c) Exemption conditions not fulfilled by the registered person while exercising the option to supply either a Nil rated or Exemption, shall be reported as Regular Supply.

Common errors

Possible errors in the preparation of the above reconciliation are given below:

- Exemption turnover that is not in compliance with the conditions shall be construed as a regular supply in the Books unless discovered.
- Supply made without payment of tax is grouped under Zero-rate by mistake.

Auditors Note

The Auditor shall make a reference to the Zero-rate supply or exempted supply for the conditions laid out as per the GST law.

The Auditor should make a disclosure about the reasons that cannot be reconciled for or concluded for sake of clarity on taxable nature.

Part III: Reconciliation of tax Paid**Scope**

After reconciling the turnover declared and reported in the Audited Financial Statement with turnover declared in Annual Return along with reasons for reconciliation if any, the relevant Part III of Form 9C requires an Auditor to reconcile the rate-wise liability of tax, total amount payable thereon with tax actually paid as declared in the Annual Return and recommendation of additional tax payable due to non-reconciliation of the taxable value.

The relevant Part III of Form 9C is bifurcated into 3 tables i.e. Table 9, 10 and 11. Table-wise details to be disclosed in Part-III are as under

Table Number	Brief Details to be entered in each Table
9	Reconciliation of rate wise liability and amount payable thereon
10	Reasons for un-reconciled payment of amount
11	Additional amount payable but not paid (due to reasons specified under Tables 6, 8 and 10 above)

Pt. III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
			Tax payable			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
II	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		<Auto>	<Auto>	<Auto>	<Auto>

Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of amount (PT1)					

Table No.	Instructions
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled 'RC', supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.
9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).

Scope

The relevant Table 9 requires the Auditor to provide details of taxable value along with the gross tax Liability of the Registered Person whose Form 9C is being filed by him. The said tax liability needs to be reported rate wise in Table 9. Further, the taxable value and liability of tax on which the given Registered Person is required to pay tax under Reverse Charge Mechanism are also required to be reported rate-wise separately. After reporting of the same, the details of Total tax payable for the Financial Year 2017-18 as declared in GSTR 9 i.e. under the Annual Return is also required to be disclosed. The given table also requires the disclosure of Interest, Late Fees and Penalty Payable.

Purpose

The purpose of the given Table is to quantify the un-reconciled tax Payable and other amounts recorded in the books of accounts with amounts disclosed in GSTR 9. It shall help the Auditor to recommend in Part V of the GSTR 9C, the additional tax Liability to be paid by the Registered Person due to Non-Reconciliation of taxable value in the Books of Accounts and GSTR 9.

Analysis

- Sources of Information

Rate-wise details of tax Liability

7 rates of tax have been notified on the supply of goods and services affecting the tax liability

during the year 2017-18. The said rate of taxes are 0%, 0.10%, 0.25%, 3%, 12%, 18% and 28%. The rate-wise details of tax liability to be entered in Table 9 first. Then it is to be bifurcated in two parts for:

- (a) Outward Supply
- (b) Inward Supply

For rate-wise tax Liability on Outward Supply

From the scheme of Table 9 it is clear that the Auditor is required to report the GST payable rate wise bifurcating the total taxable turnover calculated in Table 7E under Part II of GSTR 9C. Once the taxable value is reported under various rates as specified in sub-parts A, C, E, G, I, J, and K, the relevant amount of tax shall be calculated by the system.

The values that are to be reported in Table 9 should be taxable value as reported under Table 7E of GSTR 9C, i.e. Adjusted Total turnover for the FY 2017-18 under the GST and the amount of tax (rate wise) should be derived mathematically.

For rate-wise tax Liability on Inward Supply Liable for Reverse Charge

Just like the GST rate wise details of taxable value for outward supply are disclosed in the given Table, the details of taxable value of inward supplies on which the Registered Person is required to pay tax under reverse charge should also be disclosed. The details for this have to be taken from the books of accounts. In case of tax payable under RCM, there shall be two scenarios.

- The tax was payable under Section 9(3) and 5(3) of the CGST Act 2017 and various SGST Acts 2017 and IGST Act 2017 respectively. The said details shall be fetched for the period from July 2017 to March 2018.
- The tax was payable under Section 9(4) and 5(4) of the CGST Act 2017 and various SGST Acts 2017 and IGST Act 2017 respectively on supplies received from unregistered suppliers. The said details should be taken for a period up to 12th October 2017 only.

The base in given case should be taxable value only and the amount of tax shall be sub-set and would be derived accordingly.

For Interest, Late Fee, Penalty and Other Payables

The details of any liability of Interest under Section 50 of the GST Acts accounted for in the books of accounts or any Late Fees for Late filing of GSTR 3B or penalty leviable under any relevant sections of the Act needs to be reported here.

For the calculation of Interest under any given column, the rate-wise taxable value as reported under column 2 of Table 9 should be further bifurcated month-wise from July 2017 to March 2018. Only after comparing the monthly tax liability calculated on the basis of details of tax

paid reported in the monthly GSTR 3B, the correct amount of interest be calculated and reported.

Checking needs to be done to see if there is any amount which should not have been reported in the monthly GST Returns (like penalty under Section 129 of the GST Acts for movement of goods without compliance of Rule 138 of the GST Rules) but accounted for in the books of accounts and relating to GST should also be reported in given columns. The respective accounts of expenses in the Profit and Loss Account needs to be referred to get information in this regard.

As per current provisions of section 50, interest is payable on 'gross' liability. Although GST Council has approved that necessary amendment be made to section 50 so as to collect interest on 'net' liability, there is no amendment yet notified. Experts are of divided views that whether to pay interest on gross liability or await much needed relief on this account by the Government.

For Total amount paid as declared in the Annual Return (GSTR 9)

The amounts in the given row shall be the summation of amounts entered in Table 9 under Part IV and Table 14 under Part V of the Form 9 i.e. details of amount paid through Cash and ITC during the financial year 2017-18 in GSTR 3B and also details of the amount paid in GSTR 3B for differential tax liability declared in GSTR 1 filed between April 2018 to March 2019. It has to be ensured that only details of tax paid are taken and not the details of tax Payable.

For non-reconciled payment of tax

The same shall be auto calculated by the system based on difference between Clause 5P and 5Q of Table 9.

➤ Validation of Information

(A) For tax Payable

(a) In relation to Outward Supply

As mentioned above, the amount of adjusted total turnover in Table 7E is the base from which the details of tax Paid on the basis of the reconciliation statement are reported in Table 9P. But the details in Table 9P are auto populated based on the details entered in the rate-wise GST tax Liability and the values of taxable Service there on.

For information to be fed in Table 9, the data should be extracted in four parts tabulated as following

S. No.	Particulars	To be compiled Yearly/Monthly	Relevant Table of GSTR 9C
1.	Total turnover as per the audited Financial Statements	Monthly	5A
2.	Add / (Less) Adjustments for <ul style="list-style-type: none"> • Unbilled Revenue +/- • Credit Notes issued after the FY • turnover (Apr 17 to June 17) • Unadjusted Advances +/- 	Yearly Yearly Apr-June Yearly	5B and 5H 5E 5G 5C and 5I
3	Add / (Less) Adjustments for <ul style="list-style-type: none"> • Trade Discount • Financial Credit Note • SEZ to DTA Supply • Composition turnover • Foreign Exchange Adjustment • Exempted NIL rated Supply • Zero rated Supply without tax • Outward Supply liable for RCM 	Monthly Monthly Monthly Monthly Monthly Monthly Monthly Monthly	5F 5J 5K 5L 5N 7B 7C 7D
4	Add / (Less) Adjustments to be made where there is no impact of the following on turnover in the books of Accounts <ul style="list-style-type: none"> • Deemed Supplies • Adjustment in taxable value • Other Adjustments 	Monthly Monthly Monthly	5D 5M 5O
5.	Total of (1) + (2) + (3) + (4) = Adjusted Total turnover or Ideal GST turnover or taxable value for FY 2017-18 in the books of accounts	Yearly	7E

Now, on perusal of the given table it is suggested that data of Gross values required to be entered in Table 5 and 7 under PART II of GSTR 9C should be compiled either on a monthly basis or on a yearly basis as specified above from the books of accounts. Further, for particulars mentioned in SI. No 4, no details shall be mentioned in the books of accounts since no adjustments in relation to same could have been done in books of accounts. Since their taxable value is a part of adjusted turnover under Table 7E, it is

suggested that a separate working sheet for the same should be prepared on a monthly basis.

Once the frequency with which the data has to be fetched for the adjusted turnover is decided, for purposes of Table 9, through the books of accounts and other related reports to be generated, each of the said details should be further broken down under the various GST rates to which it is mapped in the books of accounts on monthly or yearly basis, as the case maybe.

Lastly, the total of adjusted turnover as deduced in S.NO 5 shall be bifurcated as per the GST rates.

A table depicting how month-wise details of the adjusted turnover should be prepared is enumerated as under:

S.No.	Particulars	Frequency	0%	0.10%	0.25%	3%	5%	12%	18%	28%	Total
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under	Monthly	15	25	30	40	50	20	50	20	250
B	Unbilled revenue at the beginning of Financial Year	(+) Yearly									
C	Unadjusted advances at the end of the Financial Year	(+) Yearly									
D	Deemed Supply under Schedule I	(+) Monthly							50		
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+) Yearly									
F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				2	2	2	2	2	10
G	Turnover from April 2017 to June 2017	(-) Monthly									
H	Unbilled revenue at the end of Financial Year	(-) March									
I	Unadjusted Advances at the beginning of the Financial Year	(-) Yearly									
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(+) Monthly				1	1	1	1	1	5
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-) Monthly							10		
L	Turnover for the period under composition scheme	(-) Monthly	0								
M	Adjustments in turnover under section 15 and rules	(+/-) Monthly					8	7			15
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-) Monthly					2				2
O	Adjustments in turnover due to reasons not listed above	(+/-) Monthly									
7B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply	Monthly	10								10
7C	Zero rated supplies without payment of tax	Monthly	5								5
7D	Supplies on which tax is to be paid by the recipient on reverse	Monthly					20				20
7E	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>	15	0	0	0	10	7	0	0	32

(Figures are Illustrative)

How to validate the details of Gross turnover as per the books of accounts?

Ideally the ledger accounts for outward tax liability in the books of accounts should be maintained GST rate-wise. It will minimize the chances of errors in classification due to over-sight in the books of accounts and shall ensure that data generated from the books

of accounts is correct and consistent. The rate of tax should also be mapped with HSN to ensure that errors of HSN classification are also minimized.

Generally, in various accounting software and ERPs, the facility to generate the report of GST rate wise outward tax liability along with taxable value or transaction value is available. The same can be relied upon as a document. The total of the said report should be matched with the total turnover declared in the books of accounts. Further, the amount of tax should also be matched with total credits in the GST Liability register in the books of accounts.

In cases where no report of rate-wise GST liability along with taxable value can be generated or where the liability ledger is not maintained rate-wise, the GST Auditor should use substantive audit tools to check if the details of various invoices issued by the Registered Persons have been consistently and accurately booked in the books of accounts. If after doing that the Auditor is satisfied that proper recording of transactions has taken place and the report duly prepared by the Registered Person for rate-wise amount of tax Liability and taxable amount is made available to him then he can rely on the same with a separate disclosure that rate wise tax liability has not been maintained in the books of accounts.

In cases where no rate-wise tax Liability and taxable value has been maintained in the books of accounts and the Registered Person is engaged in making outward supplies of goods or services or both of different rates and no substantive test can be applied for checking the accuracy of data entered in the books of accounts then the Auditor may consider to disclosing that due to lack of availability of rate-wise tax liability from the books of accounts, he is not in a position to punch details in the given table. In case any information for table is given by the Registered Person, then, subject to the disclosure made above, the whole amount of tax liability has been disclosed in a specific rate column as given by the Registered Person.

How to validate details of Deemed Supplies and Adjustments of Valuations

In case of deemed supplies under Schedule-I, there can be a situation that tax amount in relation to said deemed supplies becomes part of the tax Liability Register but might not be a part of the overall turnover of the Registered Person in the books of accounts. In such cases, if possible after tracking of such specific instances, the rate wise taxable value of the said transactions should be calculated either on the basis of Invoice issued under Section 31 of the CGST Act 2017 and respective SGST Acts 2017 or by the reverse method. (i.e., calculating the value of taxable supply from the rate of tax). The same shall be applicable where the adjustments of Section 15 or valuation Rules is made for tax purpose.

(b) In relation to Inward Supply

Since the value of inward supply liable for reverse charge needs to be taken from the books of accounts maintained by the Registered Person, details need to be extracted from specific ledger accounts and head of expenses which have been identified as supplies liable for RCM.

In case of supplies attracting reverse charge, the time of supply is decided at the earliest of following events:

- (a) The date of receipts of goods by the receiver
- (b) The date on which payment is entered in the books of accounts
- (c) The date on which payment is debited from the bank account
- (d) In case of goods, 31st day from the date of issue of invoice by the supplier
- (e) In case of services, 61st day from the date of issue of invoice by the supplier

Thus, before finding the rate wise taxable value of inward supply during the FY in which tax has been paid under RCM, the Auditor needs a confirmation from the Registered Person if liability of RCM has been booked in the books of accounts on the basis of methods listed above or not.

In cases where the liability has not been booked in accordance with the happening of the aforesaid events, then reliance can be placed on the proviso to Section 12(3) and 13(3) of the GST Acts 2017 and the date on which the entry of the given inward supplies is made in the books of accounts is made, the liability to pay RCM can be assumed to have arrived and thus the value of taxable supply along with the rate-wise tax liability will be decided accordingly.

If the impact is not material, in view of consistency, some experts opine that the amounts may be entered in Table 9. The Auditor could rely on reports or workings of the dates on which entries of inward supplies are made in the books of accounts liable for RCM. The bifurcation of the same GST rate-wise should be done accordingly.

Since no reconciliation of the value of taxable inward supply is being made with entries in the books of accounts, it is suggested that a separate working for the reconciliation of the same should be prepared and kept as part of working papers by the Auditor so as to deduce the rate-wise GST Liability under RCM.

The suggested logical steps which can be followed for reconciliation of the identified Expense account for the purpose of RCM can be as under:

Working Sheet for calculating Taxable Value of Inward Supply			
Nature of Expense			
GL Code			
S.No.	Particulars		Frequency
A	Gross Value of Inward Supply booked in books of accounts in a particular type of expense head during the FY on which Tax is payable under RCM		Monthly
B	Provision of expenses at the beginning of Financial Year for which Invoice is not raised by supplier in current year	(-)	Yearly
C	Unadjusted advances at the end of the Financial Year	(+)	Yearly
D	Deemed Supply under Schedule liable for RCM u/s 9(3)	(+)	Monthly
E	Expense booked from April 2017 to June 2017	(-)	Monthly
F	Provision of expenses made at the end of Financial Year	(-)	March
	Unadjusted Advances at the beginning of the Financial	(-)	Yearly
G	Adjustments in turnover under section 15 and rules thereunder	(+/-)	Monthly
H	Adjustments in expenses due to reasons not listed above	(+/-)	Monthly
I	Annual Adjusted Inward Supply after adjustments as above		<Auto>
J	(Less): Value of Exempted, Nil Rated, Inward Supply		Monthly
K	(Less): If benefit of Notification No 8/2017-CT was available		Cumulative daily Total
E	Value of Taxable Inward Supply Liable for RCM as per adjustments		(I) -(J)-(K)

Once the expense wise value of Inward Supply is identified then it should be bifurcated according to the rate of GST and then summation of each such expense rate wise can be entered in Table 9B, 9D, 9F, 9H as applicable.

(c) In relation to Interest Payable

Since in Table 9L, the amounts of interest ought to have been payable is required to be reported for the FY 2017-18, the value of taxable supply both of inward and outward as deduced monthly should be considered. It shall provide a clear picture of the tax required to be paid by the Registered Person on monthly basis in the GSTR 3B. The amount of interest on GST, if any, booked in the books of accounts during the year, whether actually paid or not, may be considered only for reference and cross checking.

(B) For Total Amount paid as declared in Annual Return (GSTR 9)

The details of the same are to be taken from GSTR 9 based on the tax paid shown in the GSTR 3B filed for the period of July 2017 to March 2018 and any additional tax paid thereon in the subsequent returns. The cross reference to the same can be checked from necessary debit entries in the Electronic Cash and Credit Ledger maintained on the GST Portal. No values in the given table should be entered from the books of accounts.

➤ **Contentious Issues with Illustrations**

Classification of Supply- Reporting under Table 9

In respect of tax Payable to be disclosed in Table 9 under Part III of GSTR 9C, an issue shall arise as to how the Auditor should deal with the classification and place of supply disputes. The classification issues which may warrant Auditor's observations and comments while punching data in Table 9 can be as under

1. HSN Disputes
2. GST rate disputes
3. Nature of Supply disputes- Inter State or Intra State
4. Place of Supply Disputes
5. Type of Supply Dispute- taxable, Exempt, Nil rated

Some Illustrations for the same with the possible course of action from the Auditor are:

- (a) The Registered Person has classified EPC Contract of Solar Power Plants as Supply of Goods classifiable under Chapter 85 and has reflected it under 5% GST rate. However, throughout the country in various advance ruling the EPC of Solar Power Plant has been treated as Supply of Works Contract Service leviable to GST at the rate of 18%. The Auditor is also of the view that it is a works contract service. What should the Auditor do?

Ans. In case the Registered Person agrees with the contention of the Auditor: The EPC of Solar Power Plant should be shown as Works Contract Service under 18% rate. It shall lead to non-reconciliation and disclosure of the Auditor recommendation for payment of additional tax.

In case the Registered Person does not agree with the contention of the Auditor, the rate of classification should be 5% under table 9 as understood by the management and the Auditor should qualify the main certificate under the opinion paragraph that according rate of GST ought to be 18% and the classification should be works contract service.

- (b) The Registered Person has wrongly classified an inward supply of receipt of GTA Service on which tax is payable under RCM as exempt GTO Service under notification 12 /2017-CT (rate) dated 28.6.2017. The same has been identified by the Auditor. How should he report the same?

Ans. In case the Registered Person agrees that classification dispute is due to an error but does not agree to change the same in the books of accounts, the Auditor should always report the taxable value at the correct GST rate Tab and recommend additional payment of tax, if the same has been short paid.

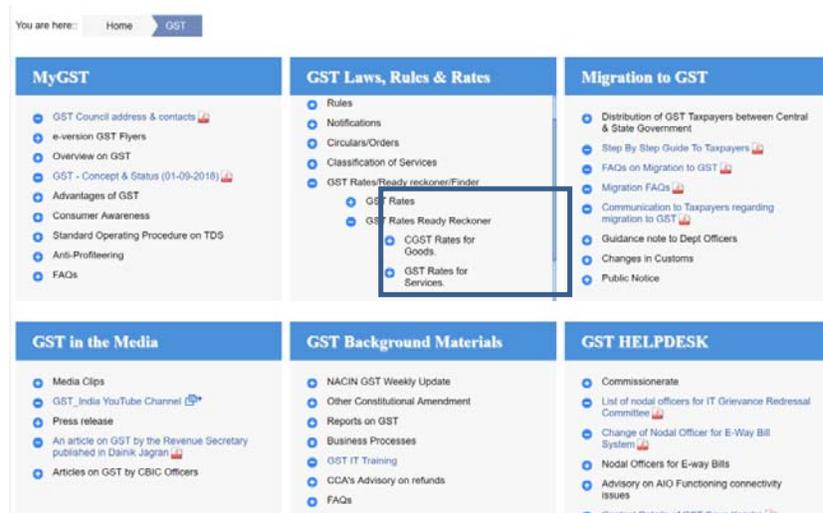
(c) Due to the nature of the business of the Registered Person, types of supply, complexities of transactions and size of operations, the Auditor is unable to identify or comment upon each and every classification of outward and inward supplies. How should the Auditor punch data in Table 9.

Ans. The Auditor may in such case put in his comment in the main Certificate under opinion paragraph (4 or 5, as the case maybe) that the classification aspect has been considered as noticed during the course of audit and subject to the information and declaration or management representation as received by the Registered Person. It should be specified that all aspects of classification have not been considered.

➤ *Notes to consider*

The following are the controls checks that a person should perform for validation of the amounts reported under this head:

- The turnover Ledgers, Tax Liability Ledgers and Expenses Ledgers should either be created GST rate wise or their masters should be mapped with a report which can generate rate-wise classification.
- The reconciliation statement should be prepared monthly and in some cases yearly so that difference in the tax payable and tax paid can be drilled down to the Invoice Level. Only then can the interest be calculated correctly.
- During the FY 2017-18 the rate of tax on the supply of goods and services has changed many times. To keep a track of the same, the updated consolidated rate notification is hosted on the CBIC Website under the Tab GST rates Ready Reckoner. The same tracks down the dates on which the changes were brought in various SI.No.s of the rate Notification. The same should be referred to for identifying the tax rate changes and their effect given by the registered person in the books of accounts



- Due to tax rate changes, the time of supply during the transition period also changes. Due care should be taken to ensure that tax liability has been discharged in accordance with Section 14 of the CGST Act 2017 and respective SGST Acts 2017. In this context it has to be ensured that if a Registered Person has collected GST at a higher rate but due to operation of Section 14, it was required to discharge tax at a lower rate, then, it should have either issued a Credit Note in the same month in which higher tax was collected or it should have actually deposited the higher tax collected and then have issued a Credit Note in the subsequent month and then adjusted the same.
- The register of Debit Note and Credit Note should be checked to identify that the rate of tax on supply of its goods or services was changed during the FY 2017-18, the effect of tax change was duly recorded, and the benefit of lower tax was passed on to the receiver.

➤ **Additional Notes to Consider**

The details should be entered in the given Table with the following riders or disclosures

- (a) The issues that may arise on account of classification have not been dealt with in detail and only those as noticed during the course of audit have been duly considered and reported.
- (b) In case the rate-wise details of Outward and Inward Supply have not been maintained, and reliance cannot be placed on internal control of organisation in relation to recording of transactions, then the Auditor should give a disclaimer that information entered in Table 9 has been provided by the management which has not been disclosed separately and rate-wise in the books of accounts.

- (c) For the identification of tax Liability on RCM, in case the Time of Supply for the same has been followed in accordance with the proviso to Section 12(3) or 13(3) of the CGST Act 2017 and respective SGST Acts 2017, then it should be reported that it was not possible to identify Time of Supply in accordance with normal sub-SI.No.s of Section 12 and 13.

➤ **Conclusion**

Once all the details are entered, and the difference in tax payable as per the books with actual tax payable is identified, the amounts of non-reconciliation shall be raised as per CGST, SGST/ IGST and Cess wise. On these amounts the Auditor shall be required to disclose the reasons in Table 10.

SI. No.10: Reasons for un-reconciled payment of amount

10	Reasons for un-reconciled payment of amount	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.

Scope

The given table mandates the Auditor to identify and disclose the reasons for un-reconciled payment of amount of tax, Interest, Penalty, Cess and Others. Reasons, amounts along with description of reason needs to be disclosed.

➤ **Source of Information**

The Auditor needs to identify the reasons due to which some amount is reflected in Table 9R. The various reasons can be as under

(A) GSTR 3B shows less/more tax paid

- GSTR 1 matches with the audited financials with regard to the tax payable
- GSTR 3B shows the tax paid differently from the books of accounts.

In this situation, even though Table 6 and 8 may not show any differences as given in point (i) above, Table 10 would show a difference of the amount of tax to be paid and tax actually paid. So, any tax payable occurring due to this would automatically form part of Table 11 and the Auditor's recommendations in Part V.

In case any excess tax has been paid, there will be no reporting in Table 11. There is also no provision of negative reporting in Table 11.

(B) GSTR 1 and GSTR 3B inter se matching but not with the Audited Financials

- GSTR 3B and GSTR 1 match with each other
- Matched GSTR 1 and GSTR 3B are different with regard to the audited financial statements.

Such differences would be depicted in Table 6, 8 and 10. If the turnover is lesser than what it is in the audited financials, they could indicate a short payment of tax, if differences thereof are not explained. The cause of the differences needs to be clearly identified. Taking the values after considering the audited financial statements Table 10 will be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference would be shown in Table 10.

(C) Taxable turnover as per the books matching in GSTR 1 and GSTR 3B but tax is not matching.

- The value of taxable supply in Form GSTR 3B matches with that in GSTR 1
- Tax payable as self-assessed in GSTR 3B is different from what is shown in GSTR 1.

The possible reason for the same can be because of the difference in the classification of supply in GSTR 1 and GSTR 3B. The reporting shall be required in Table 10 only in such cases where an error has occurred in Form GSTR 3B due to reasons of classification like the following

- HSN Disputes
- GST rate disputes
- Inter State vs Intra State Supply
- Place of Supply
- Type of Supply Dispute- taxable, Exempt, Nil rated

As the amount of tax in Table 9P shall be calculated on the basis of turnover reported and shall be treated as correct. Any deviation from the same shall be disclosed in Table 10.

➤ **Illustration**

In the case of a Registered Person, after filing of GSTR 9 and filing Table 9 of GSTR 9C, the following situation arises

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			Total
		Central tax	State tax / UT tax	Integrated Tax	
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

Suggested format in which the Reasons for reconciliation should be recorded as given in Table 10:

➤ **Conclusion**

It has to be ensured that for the whole amount of non-reconciliation reported in Table 9, the reason wise quantification of the same is done in Table 10.

Sl. No. 11: Additional amount payable but not paid (due to reasons specified under Tables 6, 8 and 10 above)

11	Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					
	Description	Taxable Value	To be paid through Cash			Cess, if applicable
			Central tax	State tax / UT tax	Integrated tax	
1	2	3	4	5	6	
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					

Table No.	Instructions
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

➤ **Scope**

In the Table 11 under Part III of the GSTR 9C, the amount of tax, interest, penalty, late fees and other dues which are payable in accordance with the non-reconciliation reported under Table 6, 8 and 10 but not actually paid as declared in Annual Return in GSTR 9 are to be reported with rate-wise bifurcation.

➤ **Source of Information**

A) For Additional tax Payable

After due verification and analysis of the amounts along with reasons reported in Table

6, 8 and 10 in the GSTR 9C pertaining to non-reconciliation of Annual Gross turnover, taxable turnover and tax payable, the details of taxable value needs to be identified GST rate-wise which should be reported in Table 11 on which appropriate tax has not been paid as declared in the Annual Return i.e. Form GSTR 9.

There may be several reasons due to which amounts may be reported in Table 6 and 8.

However, in the case of amounts reported in Table 6, reasons for non-reconciliation may be due to difference in timing or due to a permanent difference in turnover as per the books of accounts and the GST Returns. However, every non-reconciliation might not lead to a situation where there is a requirement to pay GST on the said difference.

Some examples where non-reconciliation is reported in Table 6 in Form GSTR 9C but shall not require any additional tax payment are illustrated as under:

- Difference in turnover where the time of Supply is postponed but revenue is recognized in books of accounts (Supply between Developer and Landlord in light of Notification No 04/2018-CT rate)
- Difference in the value of Export turnover reported in the books of accounts on the basis of Invoice value shown in the Shipping Bill whereas turnover reported in GSTR 1 on the basis of Invoice prepared in INR on the basis of Exchange rate applicable on the date of preparation of Invoice.
- Difference in turnover of Services due to tax paid on advances and shown in GSTR 1 but not required to be disclosed as turnover in the Audited Financial Statements.
- Difference in turnover due to disclosure of Profit / Loss on Sale of Fixed Assets in the Audited Financial Statements and disclosure of whole sale proceeds in GST Returns.

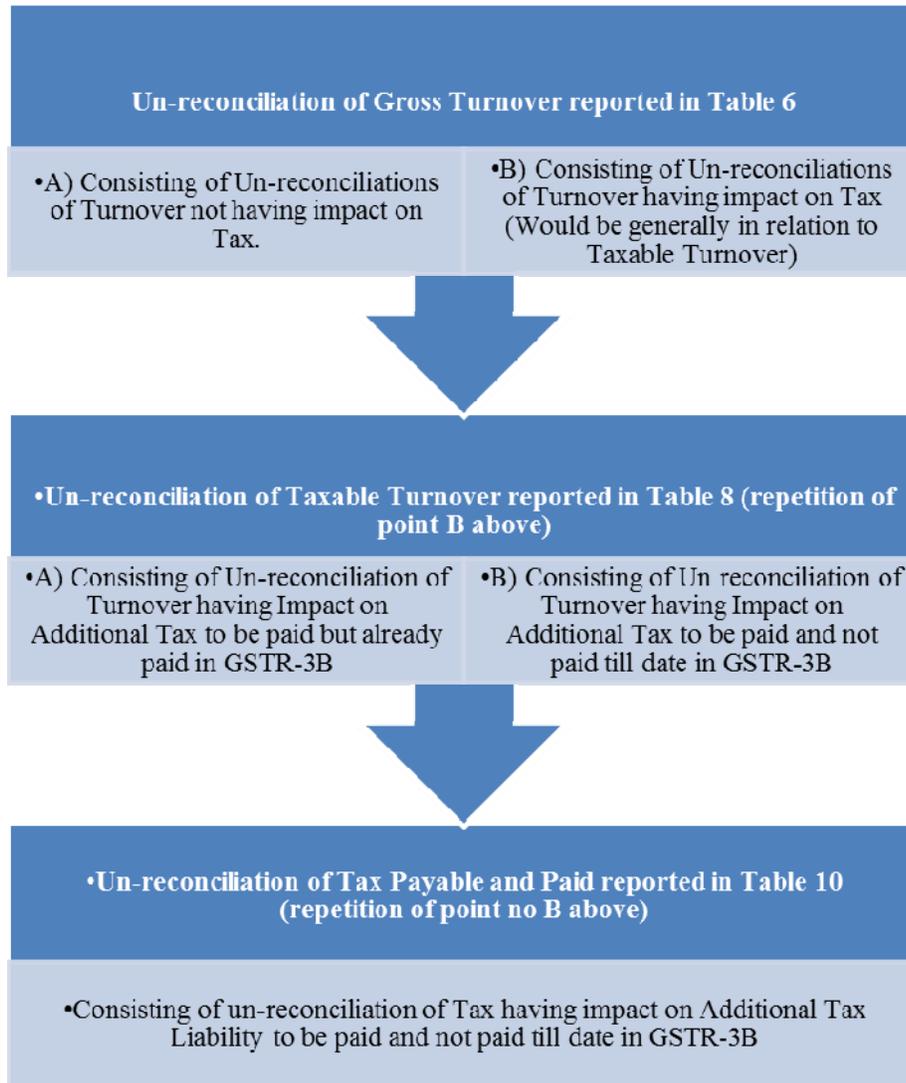
In the given cases, no reporting is required to be done in Table 11.

Further, in other types of non-reconciliations reported in Table 6, there can be an impact on the tax Liability to be paid. The instances for the same shall principally cover such cases where there is difference in taxable turnover in GST Returns and the Adjusted Total turnover. These set of differences which shall have impact on tax Liability shall actually be a part of Table 8 again.

However, out of such non-reconciliation filtered out and reported in Table 8, a further filter of non-reconciliation shall be reported in Table 10 regarding tax Liability which should have been paid on un-reconciled turnover reported in Table 8, but the same was not paid as declared in GSTR 9, i.e. the Annual Return.

Since Table 11 requires the disclosure of Additional tax Liability payable and not paid on non-reconciliations, it is evident that such details shall be reported in Table 10 also.

Thus, it should be understood that flow of non-reconciliations to be reported in Table 6, 8 and 10 shall be as under



Common Error with Illustration

The illustration shown above is used here again for reference

Reconciliation of rate wise liability and amount payable thereon					
Description	Taxable Value	Tax Details			Total
		Central tax	State tax / UT tax	Integrated Tax	
1	2	3	4	5	
Total amount paid as declared in Annual Return (GSTR 9)		10	10	20	40
Intra State Turnover of Rs 100 lesser declared in GSTR-3B (Turnover matching in Books and GSTR-1) and less tax paid accordingly		2.5	2.5		5
Tax on Inter State Supply shown as Tax on Intra State Supply in GSTR 3B		-1	-1	2	0
Higher Turnover declared in GSTR-3B for Inter State Supply of Rs 84 with GST Rate 12%				-10	-10
Exempt Supply correctly reported in Books and GSTR-1 but wrongly reported as Taxable in GSTR 3B with IGST Rs 2				-2	-2
Total amount to be paid as per tables above		11.5	11.5	10	33
Net Effect					
Gross Value of Additional Tax to be paid		2.5	2.5	2	7
Gross Value of Excess Tax Already paid		-1	-1	-12	-14
Net Tax to be paid / (excess) paid		1.5	1.5	-10	-7

In the given case, though the total amount of non-reconciliation is in the negative, there are instances where for a unique reason the tax Liability is either payable or has been paid in excess. It is suggested that under Table 11, the reasons due to which the tax Liability should have been additionally paid but was not paid should be disclosed rate-wise.

Legally, in the given case, the Registered Person is required to pay additional tax of Rs. 7 (Rs 2.5 as CGST, Rs. 2.5 as SGST and Rs. 2 as IGST). Further, he is entitled to claim refund of Rs. 7 additionally paid in case the same has not been subsequently adjusted in GSTR 3B filed after September 2018, on the basis of the Circular issued by CBIC in December 2017.

B) For Interest, Penalty and Late Fees Payable

The method suggested for calculating Interest, Late Fees and Penalty shall be employed to find the Gross amounts and difference of amounts not reported in GSTR 9 shall be required to be disclosed in the given Table.

➤ **Conclusion**

Thus, the amounts mentioned in the Table 10 above, should only be reported in Table 11. The method of calculating the data for the same has been dealt in detail above (in Table 10).

PART IV

Pt. IV	Reconciliation of Input Tax Credit (ITC)	
12	Reconciliation of Net Input Tax Credit (ITC)	
A	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	
B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)
D	ITC availed as per audited financial statements or books of account	<Auto>
E	ITC claimed in Annual Return (GSTR9)	
F	Un-reconciled ITC	ITC 1

Sl. No. 12 – Reconciliation of Net ITC

12A. ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)

Pt. IV	Reconciliation of Input Tax Credit (ITC)	
12	Reconciliation of Net Input Tax Credit (ITC)	
12A	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)	

Table No.	Instructions
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State- wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that

	reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
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Introduction

Clause 12A of GSTR 9C is the detail of ITC availed in the audited financial statements. The row aims to collect information on the ITC availed in the books of accounts by the Registered person. This shall be the total ITC including the one availed in the books of accounts on Inputs, Input Services and Capital Goods.

Analysis

➤ *Source of information*

Right in the beginning, information of all the tax account codes / ledger names should be obtained from the registered person in which he enters the ITC availed. ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence in multiple States. Such persons / entities would have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to the audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence in multiple States. Further, it is important to understand from the registered person whether he has maintained separate ledgers for availing ITC for different States or a common one.

In case there are separate ledgers, the amounts are directly relatable to the GSTIN, the information shall be collated from the net of debit and credits (other than payments) of such account codes / ledger names in the accounting software. However, in case he maintains a single accounting ledger for all the states, it will be a challenge for the Auditor to certify the amount of ITC availed and thus a suitable assurance in the form of corroborative evidence should be taken by the Auditor.

➤ *Validation of information*

The total of these columns should be reconciled with the balance of such accounts as they appear in trial balance of the particular GSTIN.

➤ *Revision required*

The column is derived from the books of accounts and thus there is no need to revise the same.

Illustration:

M/s ABC Limited maintains in his books of account Madhya Pradesh GSTIN, three accounts

for availment of ITC - CGST receivable, SGST receivable and IGST receivable, the amount for this column can be taken from such ledgers.

Notes to consider

The Auditor might find it difficult to report the details in case where the registered person maintains a single account for all the tax payable and ITC receivable. Thus, there is no clear balance for either. In such cases, a detailed examination of such an account is required and a reconciliation of the entire account prepared in the following manner:

S.No.	Particular	Dr.	Cr.
1.	Opening Balance		X X X X
2.	tax Payable		X X X X
2A.	tax Payable reversed (credit notes)	X X X X	
3.	ITC availed	X X X X	
4.	ITC reversed	X X X X	
5.	ITC reclaimed		X X X X
6.	tax paid by Cash Ledger	X X X X	
7.	Closing Balance		X X X X

Conclusion

Therefore, 12A of GSTR 9C shall provide the amount of input tax credit availed during the year by the Registered person as per his financial statement as being audited.

12B. ITC booked in earlier Financial Years claimed in current Financial Year

12B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
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Table No.	Instructions
12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.

Introduction

Any ITC which was booked in the audited Annual Financial Statement of the earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed shall be declared here. Since this is the first year of the GST, this column should

ideally be zero. However, as per the instruction related to the form, transitional credit which was booked in earlier years but availed during Financial Year 2017-18, the same would be required to be reported here. This would leave the registered person with ITC which are carry forward balances of the earlier taxes.

However, from next year onwards, this column would have the same amount as is reported in column 12C of Form 9C of the previous financial year. Hopefully, the same should be auto populated by the system. There can be a scenario also where an Input tax credit which related to FY 2017-18 was not booked in the books in FY 2017-18 inadvertently and was also not claimed in GSTR 3B of FY 2017-18. However, during reconciliation of returns during FY 2018-19 the claim was taken in both the books of accounts as well as GSTR 3B filed during FY 2018-19, such cases would not be reported in this column.

Analysis

➤ *Source of information*

The details shall be drawn from the claims of TRAN I which were booked in the earlier periods and not availed during the year.

E.g. Closing balance of Cenvat Credit in Excise

From FY 2018-19 and onwards, this column would have the same amount as reported in column 12C of Form 9C of the previous financial year. Hopefully, the same should be auto populated by the system.

➤ *Validation of information*

1. Closing Balance of Credits appearing in the GST Returns
2. Details filed in TRAN 1
3. Transfer entries for carry over of pre-GST credits into GST Credit Ledgers

Illustration

Illustration: The Input tax credit in TRAN I includes the following:

- (a) Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000
- (b) Input tax credit on opening stock availed in TRAN I: 4,00,000

Ans. The reporting which shall be made in this column is as under:

- Carry forward balance of Cenvat Credit of Excise Duty: Rs. 15,00,000
- TRAN 1 Credit on stock not recorded in books and hence would not form part of this table but the credit would be required to be disclosed at 12A.

Notes to consider

- One should be cautious of not adding all transitional amounts as filed in TRAN 1 in this table.
- TRAN 1 may include certain transactions impacting output tax which are also not required to be considered here.

Conclusion

Therefore, 12B of GSTR 9 contains credits availed in the previous year in books of accounts but is availed in GST in the current year. The addition would increase the amount so as to reach the Input tax credit as availed in GSTR 3B during the year.

12C. ITC booked in current Financial Year to be claimed in subsequent Financial Years

12C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
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Table No.	Instructions
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.

Introduction

Clause 12C of GSTR 9C is the Input tax Credit which is booked in the current financial year but claimed in the returns of GSTR 3B filed during FY 2018-19. This includes all credits which were for any reason (inadvertent or conditions not being fulfilled) were not taken in returns as filed from July 2017- March 2018.

Analysis

- *Source of information*

All amounts which are debited in the books of accounts but not claimed as Credit should be reported here. The Auditor must run a check to arrive at Input tax Credits which appear in the GST receivable ledgers but do not find place in the Input tax register providing amounts as reported in GSTR 3B of FY 2017-18. The difference of such unclaimed balance shall be reported here.

- *Validation of information*

Value in this Sl.No. should be equal to the amount reported in Clause 13 of GSTR 9. However, amount of Credits relating to FY 2017-18 which are booked in FY 2018-19 only in the books of accounts shall be subtracted from such reported amount in Clause 13 of GSTR 9.

Illustration

Illustration: The Input tax credit as booked in the GST receivable ledger for the month of August 2017 includes the following:

- (a) Input tax credit on purchase of inputs claimed in GSTR 3B of August 2017: Rs. 3,00,000
- (b) Input tax credit on purchase of inputs claimed in GSTR 3B of December 2017: Rs. 150,000
- (c) Input tax credit on purchase of inputs claimed in GSTR 3B of May 2018: Rs. 2,00,000

Ans. The reporting of the following transactions shall be made in this column:

- Input tax credit on purchase of inputs claimed in GSTR 3B of May 2018: Rs. 2,00,000

Notes to consider

- Unreconciled transactions appearing in GSTR 2A should not be directly disclosed here. The amounts appearing in GSTR 2A could be for various reasons including vendor uploading transactions with the wrong GSTIN. This credit cannot be availed by the recipient since the purchase does not belong to him though it appears in his GSTR 2A.

Conclusion

Column 12C depicts the total Input tax credit which is not availed during the current financial year in the returns but is duly booked in the books of accounts. The amount depicts the eligible claim of Input tax Credit which the Registered person failed to take in GSTR 3B of the year under audit.

12E. ITC claimed in Annual Return (GSTR 9)

12E	ITC claimed in Annual Return (GSTR9)	
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Table No.	Instructions
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.

Introduction

Clause 12E of GSTR 9C Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR 9) shall be declared here.

Analysis➤ *Source of information*

This should be auto populated from Table 7J of GSTR 9.

12F. Unreconciled ITC

12F	Un-reconciled ITC	ITC 1
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Introduction

Clause 12F of GSTR 9C provides for the difference between the ITC as computed from the books of account in Clause 12D and ITC as claimed for the financial year in Clause 7J of Annual return.

Sl. No. 13. Reasons for un-reconciled difference in ITC

13	Reasons for un-reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table12E) availed in the Annual Return (GSTR9) shall be specified here.

Analysis➤ *Source of information*

While 12F is the differential value and has no source. Clause 13 seeks reasons from the books of accounts and claims in GSTR 9 for the difference. In case the difference is positive, possible reasons of difference should primarily include:

- the amount of ITC for the financial year claimed in point 13 of the Annual return form which is the amount of ITC claimed in returns of the subsequent year for the financial year.
- the amount of ITC available but not availed which can be divided in two further categories:
 - Ineligible ITC not availed in the return
 - ITC which has lapsed as not availed

In case the difference is negative, the matter is of concern as it is a clear indication of more than available ITC claimed. This could be on account of the following reasons:

- ITC of another GSTIN claimed in returns of GSTIN under audit
- IGST on imported goods used as FOC replacement warranty (customs duty + IGST paid by Exporter of original equipment.
- Duplicate ITC availed
- ITC of subsequent year where goods / services were received later but their invoice was received prior was availed.

➤ *Validation of information*

This table does not have a parallel validation.

Conclusion

Therefore, 13 of GSTR 9C looks out for the reason of difference between ITC claimed in the books of accounts and the annual return. This should keep a check on unwarranted ITC being availed by the registered person.

Sl. No. 14. Reconciliation of ITC declared in Annual Return (GSTR 9) with ITC availed on expenses as per audited Annual Financial Statement or books of account

14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account			
	Description	Value	Amount of Total ITC	Amount of eligible ITC availed
	1	2	3	4
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel			
D	Imported goods (Including received from SEZs)			
E	Rent and Insurance			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' Cost (Salaries, wages, Bonus etc.)			

I	Conveyance charges			
J	Bank Charges			
K	Entertainment charges			
L	Stationery Expenses (including postage etc.)			
M	Repair and Maintenance			
N	Other Miscellaneous expenses			
O	Capital goods			
P	Any other expense 1			
Q	Any other expense 2			
R	Total amount of eligible ITC availed			<<Auto>>
S	ITC claimed in Annual Return (GSTR9)			
T	Un-reconciled ITC (ITC 2)			

Table No.	Instructions
14	This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.
14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table.

Introduction

This table is for reconciliation of ITC declared in the Annual Return (GSTR 9) against the expenses booked in the audited Annual Financial Statement or books of account. This point calls for examination of ITC detailed by the Auditor to determine the available ITC as booked in ledgers of various expenses and in the books of accounts vis-a-vis the ITC availed by the registered person. In case the Auditor finds any ineligible or unavailable ITC as per the books of accounts, suitable disclosures are to be made in this regard.

Analysis

➤ Source of information

The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. The balances shall be available only on the detailed examination of such ledgers. The nomenclature of the ledgers may be different as per the books of accounts of the registered person. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.

Net ITC availed as declared in the Annual Return (GSTR 9) shall be declared in Clause 14S. Table 7J of the Annual Return (GSTR 9) may be used for filing this Table.

➤ Validation of information

This is another way of representing the detail of Clause 12 and 13 of the same form. In Clause 14, instead of examining the ITC on a global level, the point requires the Registered Person to provide expense ledger wise details of ITC claimed. This is a further examination on part of the Auditor. The total of this Clause in column 3 of Clause 14 should be equal to 12A of Form 9C.

The Column 4 uses two words 'eligible' and 'availed'. Thus, it seems that the Auditor has to include ITC which has been availed and the eligible one out of these. Thus, the government would get to know the ineligible amounts availed by the ITC.

Illustration

Illustration: The Input tax credit as booked in purchase account is as follows:

- (a) ITC on purchase of raw material: Rs. 1,50,000 (Purchase value: 20,00,000)
- (b) ITC on purchase of consumable: Rs. 60,000 (Purchase value: 4,00,000)
- (c) ITC on purchase of food items for staff: Rs. 12,000 (Purchase value: 120,000)
- (d) ITC availed by the registered person from the Purchase account: Rs. 222,000

Ans. The reporting of the following transactions shall be made in this column:

- value of Purchases: 25,20,000
- Amount of Total ITC: 222,000
- Amount of eligible ITC availed: Rs. 210,000

Notes to consider

The Auditor has to undertake the detailed examination of all expense in the asset ledger to ensure that the above values are correctly filed by the registered person. It is possible that in the absence of a detailed examination of each expense, such reporting of eligible ITC may not be reported correctly by the Auditor.

Conclusion

This point requires detailed examination of the books of accounts to establish that registered person has taken only eligible ITC. Though looking into every tax invoice may not be possible for the Auditor, he has to use auditing methodologies to locate the eligible ITC. This requires a sound accounting system so that this exercise can be completed in given time frames. The eligible ITC shall then be compared with the ITC availed in GSTR 9 and differences thereof have to be explained by the registered person.

Sl. No. 15. Reasons for un-reconciled difference in ITC

15	Reasons for un - reconciled difference in ITC	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

Table No.	Instructions
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.

Introduction

Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.

Analysis

- Source of information

This column is auto populated as it is a calculation of difference between Table 14R and 14S.

This is the differential amount between the eligible availed ITC and the availed ITC. Difference can arise on any of the following counts:

- Ineligible ITC availed by the Registered person
- ITC booked in the books of accounts but not availed including ineligible ITC not availed (lapsed)

In case of a negative amount, such difference can arise on account of ITC booked in the books of accounts but availed in return GSTR 3B of the subsequent year. This can be correlated with point 13 of GSTR 9.

➤ Validation of information

This column cannot be validated separately. The reason for such differences has to be explained.

Conclusion

This point would bring the reasons for all differences in ITC availed and eligible ITC as per the books of accounts.

Sl. No. 16. Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)

16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)	
	Description	Amount Payable
	Central Tax	
	State/UT Tax	
	Integrated Tax	
	Cess	
	Interest	
	Penalty	

Table No.	Instructions
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

Introduction

Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here

Analysis

This column captures tax which is to be paid on account of differences identified in Table 13 and 15 above. Taxes paid in this Table should ideally be equal to the total of the differences of the two tables (when positive). It is important to note that the Table also demand computation of interest and penalty on such ITC differential.

Part V : Auditor's recommendation on additional liability due to non-reconciliation

Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
	Description	Value	To be paid through Cash			
Central tax			State tax / UT tax	Integrated tax	Cess, if applicable	
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Input Tax Credit					
	Interest					
	Late Fee					
	Penalty					
	Any other amount paid for supplies not included in Annual Return (GSTR9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (pl. specify)					

Instructions
<ul style="list-style-type: none"> • Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table. • Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in this form, through FORM DRC-03. Taxpayers shall select – Reconciliation Statement in the drop down provided in FORM DRC-03. It may be noted that such liability shall be paid through electronic cash ledger only.

I. Introduction

1. This part of Form 9C is the outcome of the independent review by an Auditor. The term Audit has been defined in the CGST Act as under:

13) "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;

2. The analysis of the definition of the word "Audit" helps us understand the implications of the "Audit" of a Registered Person under the CGST Act and the Rules framed thereunder:
 - ✓ It is a systematic examination of records, returns and other documents;
 - ✓ Maintained or furnished by the Registered Person;
 - ✓ With a view to verifying the correctness of the turnover declared, taxes paid, refund claimed, and input tax credit availed, and also to assess his compliance.
3. The examination of records, returns and other documents maintained or furnished by the Registered Person could lead to several issues, some of which are listed below:
 - (a) The turnovers declared in the return filed in GSTR 3B could be at variance with the books, financials or turnovers now arrived;
 - (b) There could be a shortfall in taxes paid on account of incorrect availment of input taxes (viz., input tax credits may have been availed in respect of inward supplies on which tax credits are not allowed); Shortfall in output taxes may arise on

account of incorrect outward supplies declared; incorrect accounting of debit / credit notes and such other reasons;

- (c) Input taxes availed could be incorrect viz., on account of non-reversal of payments effected to suppliers within a period of 180 days; credit may have been availed without receipt of goods or services etc.,
 - (d) It is these issues among others that require the conduct of an audit.
4. An important issue to be borne in mind is that any additional liability recommended by the Auditor is required to be discharged through cash. This fact can be borne out from the very heading to Part V of the relevant GSTR 9C.

II. Some issues

- (a) Is the additional liability determined by the Auditor binding on the registered person?
 - ✓ At the outset, it can be inferred from the heading to Part V of GSTR 9C that the Auditor has only a recommendatory power, for recommendations given by the Auditor may or may not be acceptable to the Registered Person. If it is acceptable, there are no further questions. But if it is not acceptable, then the question that arises is how can the Auditor resolve the issue.
 - ✓ At this juncture, the Auditor needs to exercise his professional diligence, skill, legal knowledge and care in determining any additional tax liability which is payable by the Registered Person. The Registered Person has the option to accept, reject or partially accept the recommended additional tax liability. In line with such recommendations, though not explicitly stated anywhere in the relevant Form or GST laws –
 - (i) the Registered Person can choose to make the payment of the additional tax liability in full or in part;
 - (ii) the Registered Person can even choose to reject the complete recommendations of the Auditor and not make the payment at all.
 - ✓ Before an Auditor makes any recommendation about additional tax liability, due care must be exercised. For instance, in respect of commodity classification based on HSN if an Auditor believes that there are two possibilities then he may choose to place reliance on an expert opinion. In such a situation, a proper disclosure may suffice.
 - ✓ However, when looked at from the perspective of the government, the recommendation shall form the foundation for an effective show cause notice and enquiry into the affairs of the Registered Person.

(b) Scope of the Auditor's review for recommendation

- ✓ On a perusal of the heading to Part V of GSTR 9C, it appears that the responsibility of the Auditor is restricted to report only the additional liability which may arise on account of non-reconciliation matters only. An Auditor may take the view that he is not required to step into the shoes of an investigator to mine any undisclosed supplies which are neither reported in the annual return nor in the financial statements. But at this point in time the instruction provided to fill in the relevant GSTR 9C plays an important role.
- ✓ Para 7 of the instructions provided to the relevant GSTR 9C makes it clear that apart from recommending any additional tax liability that may arise on account of reconciliations matters, an Auditor is also required recommend:
 - cases relating to supplies that are not reported in the annual return;
 - refunds erroneously taken;
 - any outstanding demands that may be settled by the Registered Person.
- ✓ Performing this reconciliation accurately and analysing reasons for the differences falls within the domain of the Auditor's responsibility. Making disclosures in respect of the differences which are accurate, exhaustive and understandable form an intrinsic part of his duty.

(c) Reasons for additional tax liability

- ✓ Non-reconciliation between the books of accounts and the annual return can either occur (among other reasons) in respect of the turnover, tax paid or availment of the input tax credit. Any additional tax liability that may arise due to non-reconciliation between the turnovers or the tax payable on such turnovers would be reported in Table 11 of GSTR 9C. Further, any additional tax liability arising due to non-reconciliation of the input tax credit are to be disclosed in Table 16 of GSTR 9C. The amount reported in these two tables would be summarized and reported in Part V of the GSTR 9C.
- ✓ Additional tax liability may arise on account of any other amount paid for supplies not included in the annual return, erroneous refund to be paid back, outstanding demands to be settled, etc., (if any).
- ✓ To sum up, some of the issues that are to be reported as part of the Auditor's recommendations on additional liability due to non-reconciliation etc., may arise on account of the following issues:

(a) Additional tax liability due to non-reconciliation of turnover or tax liability (including reverse charge) between the audited financial statements and annual returns (as per Table 11 of GSTR 9C)

This additional tax amount to be paid but not paid due to non-reconciliation is reported in Table 11 of GSTR 9C. For instance, this may occur due to the following reasons, among others:

- (i) Non-Reconciliation of the turnover and taxable turnover between the audited financial statements and the annual return (as per Table 6 and 8 of GSTR 9C) – This situation arises because the audited financial statements and GSTR 1 may not match. This is because the turnovers of outward supply in the annual return is advised to be borrowed from GSTR 1 within the instructions of the annual return.
- (ii) Non-Reconciliation of the tax paid (both under forward and reverse charge) between the audited financial statements and the annual return (as per Table 10 of GSTR 9C): This situation arises on account of the fact that the audited financial statements and GSTR 3B may not reconcile. This is because the actual tax paid is only given in GSTR 3B which is used as the basis for reflecting the amount of tax paid in the annual return. Further, the mismatch can arise on account of difference of tax rate as applied by the registered person and such rates as are determined by the Auditor to be applicable on outward supply turnovers.
- (iii) Situations containing non-reconciliation between GSTR 3B, GSTR 1 and audited financial statements

In an ideal scenario, the differential tax payable on account of reconciliation should be Nil. However, various situations can cause the differences in Table 6, 8 and 10. It needs to be analysed which of these differences are required to be reported as part of the Auditor's recommendations. These situations are given below:

- **Situation 1: GSTR 1 matches with the audited financials but differs with GSTR 3B**

It is possible that GSTR 1 matches with the audited financials as regards the tax payable, but the turnovers reflected in GSTR 3B may differ when compared to the books of accounts as regards the tax paid. In this situation, even though Table 6 and 8 may not reflect any differences as given in point (i) above, Table 10 would reflect a difference of the amount of tax to be paid and tax actually paid. Therefore, any tax payable occurring due to this reconciliation issue would automatically form part of Table 11 and thereby Auditor's recommendations in Part V would have to be made. The Auditor would do so only after taking a judgement call that the amounts reported in GSTR 1 and the audited financial statements were correct and that the reporting in GSTR 3B was incorrect.

- **Situation 2: GSTR 3B matches with the audited financial statements but differs with GSTR 1**

There can also arise a situation that the turnover and tax payable in GSTR 3B matches with the audited financial statements but there is a difference between GSTR 1 and the audited financial statements with regard to the same. In this case, the differences would most clearly be evident from Table 6 and 8 which effectively compares the turnover between GSTR 1 and the audited financial statements. This difference would be reported as part of Table 10 which derives the tax payable from Table 6 and 8 which effectively takes into account GSTR 1. Therefore, this should form part of the additional amount of tax payable and the Auditor's recommendations. The Auditor would do so only after taking a judgement call that the amounts reported in GSTR 3B were incorrect as compared to that reported in GSTR 1 was correct. Of course, if the reverse is true, then even though there is a difference between the two, the Auditor's recommendation in Part V of the GSTR 9C would not contain the said amount as the additional tax liability.

- **Situation 3: GSTR 1 and GSTR 3B inter se matching but not with the Audited Financials**

There can be a situation that the GSTR 3B and GSTR 1 match with each other but there is a difference when they are compared to the audited financial statements. Such differences would figure in all the Tables 6, 8 and 10 as such turnover if lower than the audited financials, will result in short payment of tax (if differences thereof are not explained). The cause of the differences needs to be clearly identified and understood. Table 10 while taking the values after considering the audited financial statements would be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference would be shown in Table 10. Therefore, this should form part of additional amount of tax payable as per the Auditor's recommendations in Part V of the GSTR 9C.

(iv) Separate calculation for tax under both forward and reverse charge

It must be noted that in this context, the reconciliation would be made with regard to the following:

- (a) Total turnover and taxable turnover
- (b) Output tax liability
- (c) Liability under reverse charge

The amount paid as output tax liability computed for both point (a) and (b) cited supra and tax under reverse charge as per point (c) are required to be disclosed and reconciled separately between GSTR 3B and the audited financial statements in Table

9. Any additional amount that is liable to be paid on account of the fact that such amounts would be disclosed together in Table 11 and Auditor's recommendations in Part V of the GSTR 9C.

(v) Rate wise break up

Any additional tax liability that occurs either under forward charge or reverse charge needs to be shown on rate-wise basis. In fact, the tax payable in Table 9 which is the source of the reconciliation also demands that tax payable be disclosed on a rate-wise basis. This rate-wise breakup of additional tax payable would be shown in Table 11 and the Auditor's recommendation in Part V of the GSTR 9C.

(b) Additional tax liability because of non-reconciliation of input tax credit between the audited financial statements and annual returns (as per Table 16 of GSTR 9C)

The additional tax amount to be paid due to non-reconciliation is reported in Table 16 of GSTR 9C. The non-reconciliation difference in this table can occur due to the following reasons:

- (i) Non-reconciliation of the credits which are booked in one financial year and claimed in the subsequent financial year with regard to the audited financial statements and the annual return (as per Table 13 of GSTR 9C);
- (ii) Non-reconciliation of the credits between the head-wise expenses reported in the audited financial statements and that in the annual return (as per Table 15 of GSTR 9C)

It can be noted here that the amount reported in the annual return is only a summation of the amounts reported in the GSTR 3B.

Difference of input tax credit in GSTR 3B and the Books of accounts

There can be a situation where the GSTR 3B does not match with the audited financial statements or books of Accounts with regard to the input tax credit. Such differences can be depicted under Table 13 and 15. The cause of such differences need to be clearly identified. These tables while taking the values after considering the audited financial statements would be compared with the actual tax paid as per GSTR 3B. As there is a difference between the audited financial statements and GSTR 3B, an unreconciled difference would be shown in both 13 and 15. If the input tax credit claimed is higher in GSTR 3B than the books of accounts, then there may be an additional liability of making the payment of extra credit availed. Then, this should form part of the additional amount of tax payable as per Table 16 of GSTR 9C and the Auditor's recommendations in Part V of the GSTR 9C. The Auditor would do so only after taking a judgement that the amounts reported in GSTR 3B are incorrect and that the amounts reported in the financial statements are correct. Of course, if the reverse is

true, then even though there is a difference between the two, the Auditor's recommendation would not show the said amount as additional tax liability.

No rate-wise breakup

No rate-wise breakup is required in Table 16 with regard to the additional tax payable due to the non-reconciliation of the input tax credit as per Table 13 and 15.

(c) Any other amount to be paid for supplies not included in the annual return

There can arise situations wherein certain other supplies can result in the payment of additional tax liability even though they were not flagged as reconciliation differences as discussed supra. These pertain to supplies which are not disclosed in the annual return and which may not have been the part of turnover as per the audited financial statements. For instance:

1. If supplies which are part of Schedule I i.e. supplies without consideration are not disclosed in the annual return, then they may not create any reconciliation differences as they are not reflected in the financial statements.
2. As regards receipt of taxable advances which form part of the Balance Sheet of a Registered Person but are not a part of his turnover. If a Registered Person is liable to pay taxes on the advances received during the year does not disclose the same in his monthly return and thereby his annual return, then he can fall within this reporting Sl.No. This is because the advances not disclosed would neither be part of the turnover which is the starting point of the reconciliation nor the supplies as disclosed in the annual return. Therefore, they would not cause a reconciliation difference.

The above illustrative cases would not have been reported in the point Books or in Returns and would not cause any reconciliation differences. However, paying taxes on these supplies is mandatory even though they have been missed out in the annual return. Thereby, they would be reported as supplies not included in the annual return. Any interest and penalty which may have to be paid on them would also be disclosed separately. Therefore, all such supplies which are not part of the turnover of the Registered Person as per the audited financial statements and are missed out in the annual return will be reported here.

(d) Erroneous refund to be paid back

Any refund that has been obtained but ideally it should not have been obtained is reported here. It may arise due to refund of the electronic credit ledger or of the cash ledger. This erroneous refund could have been obtained because of some situation, which are:

- (a) The department had paid the Registered Person provisional refund of 90% based on the prima facie scrutiny of the application for refund in case of zero-rated supply or inverted duty structure. But upon complete scrutiny of the application, a defect may be noticed in the given application which may have led to the rejection of the refund. In this case, the refund already granted provisionally is liable to be refunded back to the Department if it is not already raised as an outstanding demand to be settled as discussed in point (e) below.
- (b) A Registered Person may happen to avail input tax credit in a particular month which is liable to be reversed at the end of the year in terms of Rule 42 and Rule 43 upon making the complete true-up calculation. It may also be possible that the input credit was blocked on any inward supply on which the input tax credit was taken by the Registered Person. In this situation, if the Registered Person had obtained complete refund of the input tax credit taken earlier, then he is liable to refund the amount to the extent the input tax credit was not admissible to him.

The above are only illustrative situations wherein a Registered Person is required to pay the amount which was erroneously refunded to him. In these cases, if the Registered Person is liable to pay any interest or penalty on the same, then the said amount would also be required to be shown as part of the Auditor's recommendations in Part V of the GSTR 9C.

(e) *Outstanding demands to be settled*

Any amount which is liable to be paid to the government which had been raised as a demand is required to be disclosed. Any adjudication order passed against the registered person which had not been appealed against and which entails payment of tax liability by the Registered Person is to be reported here. Further, any appellate order passed which requires the Registered Person to make payment of tax liability would also be disclosed here. However, any order passed which entails requirement of payment of taxes, but which forms a subject matter of appeal before any higher authority cannot be considered as an outstanding demand. These would not be reported as part of additional tax liability.

(f) *Interest, Penalty and Late fees*

Interest

Interest is not automatically calculated for the purpose of payment in GSTR 3B. The Auditor is required to compute such additional interest liability that may arise due to any of the above situations. This would be part of Table 11 and Auditor's recommendations in Part V of the GSTR 9C as well.

Penalty

Penalty can be imposed on a Registered Person if he contravenes any of the provisions of the CGST / SGST Act 2017. For instance, as per Section 122, if the taxable person collects any amount, but fails to pay the same to the Government beyond a period of three months from the date on which the payment becomes due would be liable to penalty of Rs. 10000 per Act or the amount of tax evaded, whichever is higher. Obviously, if the same was done for any reason other than fraud or any wilful misstatement or suppression of facts to evade tax, the penalty would reduce to Rs. 10000 per Act or 10% of the tax whichever is higher. In such a situation, the Auditor is under an obligation to disclose such liabilities, if payable, by the Registered Person in both Table 11 and the Auditor's recommendations.

Late fees

This includes the fee for delayed filing of GSTR 3B and GSTR 1. GSTR 3B automatically calculates such amount of late fees based on the due date and actual date of filing the return. As regards GSTR 1, the due date for the entire financial year 2017-18 has been extended till 31st October 2018. Therefore, no late fees would be calculated if GSTR 1 is furnished by this date.

(g) Other (Please specify)

If there are any other reasons why additional tax liability may be liable to be paid by the Registered Person which have not been covered above and which comes to the notice of the Auditor would be disclosed in this field. Rather than merely showing the tax amount, the exact reason why the additional tax liability is liable to be paid would also have to be specified.

Mechanism of payment

There are no provisions under the law which prescribes the mechanism of payment of the additional tax liability that may arise out of reconciliation. However, upon the analysis of the form it can be seen that it requires mandatory payment of the differential tax liability in cash. It does not permit utilization of the balance in electronic credit ledger for such payments.

Where the tax paid is incorrectly shown on the lower side in Form GSTR 3B, then Table 9 of Form GSTR 9 would show a higher tax payable (which would be as per the consolidated figures of outward supplies in Form GSTR 1 and inward reverse charge supplies in Form GSTR 3B) than total tax paid in cash and ITC (actual tax paid in Form GSTR 3B). In this situation, the differential tax payable can be paid through Form DRC-03.

In Form GSTR 9C, the tax payable after reconciliation with the books of accounts are to be disclosed in Table 9 of Form GSTR 9C. This tax payable is to be compared with the tax paid as per Form GSTR 3B. Assuming the books of accounts to be in line with Form GSTR 1 and Form GSTR 3B incorrectly showing a lower tax amount, the tax payable in Table 9 of Form GSTR 9C will be the same as the tax payable in Table 9 of Form GSTR 9. In this case, the unreconciled tax difference in Table 10 of Form GSTR 9C will show the same amount as the differential tax payable in Table 9 of GSTR 9. One should be careful here that if such differential tax is already paid through Form DRC-03 while reconciling Form GSTR 9, the same difference arising in Form GSTR 9C should not be subjected to additional liability as per the Auditor's recommendations in Part V of Form GSTR 9C.

Understanding "Verification" under GSTR 9C

- I. In terms of Rule 80(3) of the CGST rules, 2017 the relevant "verification" portion to the Reconciliation Statement in Form GSTR 9C reads as under:

Verification:	
I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.	
**(Signature and stamp/seal of Auditor)	
Place:.....	
Name of Signatory:.....	
Membership No.....	
Date:.....	
Full address.....	
Verification of registered person:	
I hereby solemnly affirm and declare that I am uploading the reconciliation statement in FORM GSTR-9C prepared and duly signed by the Auditor and nothing has been tampered or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.	
Signature	
Place:	
Date:	Name of Authorized Signatory
	Designation/status

- II. The verification part of the said GSTR 9C is quite crucial in so far as the GST Auditor is concerned. Several important words and phrases are used in this part, such as “**solemnly affirm, declare, true and correct, knowledge and belief, conceal etc.**” An understanding of the true import of these words is crucial for understanding the manner in which the Auditor is expected to meet his professional obligation.
- III. According to The Random House Dictionary the word **solemn** means “serious or earnest” and the word **affirm** means “confirm, establish or ratify”. A solemn affirmation is ratification under a statute.
- IV. In the case of Dilip N. Shroff V. Joint Commissioner of Income tax, 2007 (219) ELT 15 (SC) their lordships extracted the meaning of the word “conceal” from the Law Lexicon which reads:

“to hide or keep secret. The word “conceal” is con + celare which implies to hide. It means to hide or withdraw from observation; to cover or keep from sight; to prevent the discovery of; to withhold knowledge of. The offence of concealment is, thus, a direct attempt to hide an item of income or a portion thereof from the knowledge of the income tax authorities.”

In the very same judgement in para 67 and 68 the Honourable Supreme Court goes on to analyse certain phrases, which are relevant and reproduced below:

‘Concealment of income’ and ‘furnishing of inaccurate particulars’ are different. Both concealment and furnishing inaccurate particulars refer to deliberate act on the part of the registered person. A mere omission or negligence would not constitute a deliberate act of *suppressio veri or suggestio falsi*. Although it may not be very accurate or apt but *suppressio veri* would amount to concealment, *suggestio falsi* would amount to furnishing of inaccurate particulars.

The authorities did not arrive at a finding that the consideration amount fixed for the sale of property was wholly inadequate. The authorities also do not show the inaccurate particulars furnished by the Appellant. They also do not state what should have been the accepted principles of valuation. We, therefore, do not accept the submissions of the learned Additional Solicitor General that concealment or furnishing of inaccurate particulars would overlap each other, the same would not mean that they do not represent different concepts. Had they not been so, the Parliament would not have used the different terminologies.

To conclude, *malafide* or *dolus molus* becomes a pre-requisite to prove an act of concealment. While every action is not *malafide* – negligence, carelessness, recklessness coupled with intention to withhold information tantamount to *malafide*. It is

reiterated that mere failure to provide information or providing inaccurate information also would not amount to concealment.

V. Certificate and Report:

A certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. It is certification of factual accuracy of what is stated therein.

A report, on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting an opinion thereon. It is giving an opinion based on factual data and that is arrived at by the application of due care and skill.

VI. Understanding some words according to The Law Lexicon by P Ramanatha Aiyar (1997 Edition):

- (a) **Attest (page 166):** To bear witness to; to certify; to affirm to be true or genuine; to make a solemn declaration in words or writing to support a fact; to certify to the verity of a copy of a public document;
- (b) **Verify (page 1955):** To assent or approve to be true; to ascertain, confirm or test the truth or accuracy of;
- (c) **Certify (page 296) :** To give certain knowledge or information of; make evident; vouch for the truth of; attest; to make statement as to matter of fact; to testify in writing; give a certificate of; make a declaration about in writing under hand, or hand and seal; to make attestation either in writing or orally as to the truth or excellence of something;

- VII.** The relevant portion of Volume I.A of the Compendium of Engagement and Quality Control Standards (9th Edition, 2012), page 3, Para 5) reads - While discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.

Conclusion

A conjoint reading and understanding of all aspects cited *supra*, many experts are of the view that the exercise of verification may actually mean an **attest** function is being carried out while a few others believe that it is an exercise of verification of information

Verification of registered person:

I hereby solemnly affirm and declare that I am uploading the reconciliation statement in FORM GSTR-9C prepared and duly signed by the Auditor and nothing has been tampered or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.

Signature

Place:

Date:

Name of Authorized Signatory

Designation/ status

The above has been inserted in the revised Form GSTR 9C to enable the taxpayer to upload GSTR 9C certified by the auditor as there is no separate online filing portal available from which the auditor may independently upload the GSTR 9C.

Part B - GSTR 9C – An analysis**Module I – Certification in cases where the reconciliation statement (FORM GSTR 9C) is drawn up by the person who had conducted the audit and GST audit certification****I. Hierarchy of Clauses for Certification**

Step 1: 'Examine' the 'financials'

Step 2: Based on such 'audit', report that books of account, etc. under the GST Acts have or have not been maintained

Step 3: Report the following observations / comments / discrepancies / inconsistencies, if any:

Step 3(b): Report further whether:

Step 3(b) (A): Information and explanations has / has not been obtained which were necessary

Step 3(b) (B): Proper books of accounts have / have not been kept

Step 3(b) (C): Financials are / are not in agreement with the books

Step 4: State whether GSTR 9C and other relevant documents are annexed

Step 5: Particulars in GSTR 9C are 'true and correct' subject to observations / qualifications:

Step 5(a):

Step 5(b): refer list of matter's for Auditor's attention listed below.....

Step 5(c):

Step 6: Signature and Stamp and Seal of the Auditor duly disclosing the date, place and full address

II. Introduction

This Module about the GST Auditor clarifies that the Auditor has to travel the path of six steps given above, in which each step spells his various duties and responsibilities. It is important to note that these duties and responsibilities are not without a boundary. Inbuilt into them is 'dependency' as well as 'limitation' that sets the boundary for the Auditor to discharge his duties and responsibilities, and which give the required focus and direction to his efforts. He has to have a clear idea of the objective he has to accomplish. The GST Auditor has to express his views or opinion/s on matters ranging from the books and records that are presented for this audit certification all the way to specific observations (listed and discussed later) for the attention of a discerning reader.

III. Financials

- (a) Financial statements or 'financials' as colloquially called, advert to Balance Sheet, Profit and Loss account and notes appended to it together with Cashflow Statements, if applicable. It is important to note that the Registered Person is the Registered Person and not the Legal Entity (viz., Legal Entity could be Hindustan Unilever Limited, whereas, the Registered Person could be GSTIN based unit – say, its Tea factory located at Dharwad, in Karnataka). 'Financials' are not prepared exclusively for the Registered Person in the normal course whereas it would be at the Legal Entity level. Where a single registration is involved, the 'Financials' of the Legal Entity would be the 'Financials' of the Registered Person also. However, where multiple registrations are involved, 'Financials' continues to be in respect of the Legal Entity and NOT to be prepared again in respect of each Registered Person. Further, where cashflow statement is not available as it is not required to be prepared, there would be no responsibility to append the same. The language in the certificate may be understood as 'to be provided where available'. Further, it is suggested that in addition to the financial statements of the legal entity, GSTIN-wise trial balance (attested by Management only) may be appended along with the same file and filed along with audit certificate.
- (b) Reference may be made to the **instructions** to the table No. 5A of FORM GSTR 9C – which says, "*entities in multiple States would have to internally derive their GSTIN wise turnover and declare the same*". Thus, one has to derive information from the 'Financials' of the Legal Entity to the extent it provides information pertaining to each Registered Person. Very simply put, the trial balance of the Legal Entity may be split "registration-wise" as information pertaining to each Registered Person for conduct of this audit certification exercise.

IV. Audit

Nature of the exercise involved in this audit certification is not to be circumscribed by the language in definition of the word 'audit' in section 2(13) of the CGST Act. Members' knowledge, training and experience as an expert Auditor in carrying out audits would bear out this audit certification exercise.

V. Report on Books

1. The maintenance of books of accounts, records and documents as required under the law is quite expansive and casts the responsibility of scanning the length and breadth of the GST law and identifying those that ought to be maintained. And then report whether all those:

- (a) books of accounts
- (b) records; and
- (c) documents

have or have not been maintained. 'Maintained' pre-supposes habitual and contemporaneous practice. It not the same as specially or specifically prepared, compiled or extracted from such books and records that are not directly and expressly in conformity with the GST law.

2. Having mentioned that the GST law itself does not list the books of accounts, records and documents, it is trite to mention that Section 35 of the CGST Act and Rule 80 of the CGST Act specifies 'accounts and other records' which are not intended to be exhaustive and would not limit examination by the Auditor. Therefore, an Auditor is to report not only whether they are 'maintained', and specifically which of them are not maintained or deficient. This is a very important aspect that an Auditor is to pay attention to and take the benefit of carefully making known his considered views on this aspect of books.

VI. Report of Information

Here, an Auditor is to report on three aspects concerning the books of accounts that have been reviewed. These call for a statement of fact gathered by the Auditor after his examination of books and records presented for his consideration. It is an opinion that the Auditor is required to express of these specific aspects, which are:

- (i) Whether he has obtained or not obtained the information / explanations which to the best of his knowledge were necessary for the purpose of conducting his audit. It must be noted in specific that even if he has obtained information / explanations partially such facts need a specific disclosure;
- (ii) Whether **proper** books of accounts have or have not been kept by the Registered Person as it appears on his examination;

- (iii) A certification of the fact as to whether the 'financials' and the cash flow statement (only if applicable) are or are not in agreement with the books of account. A further affirmation of the facts as to whether the books of account have or have not been maintained at the principal place of business and at the relevant additional place of business **within the State**.

Thus, this Sl.No. requires an Auditor to exercise abundant caution, because, these are matters of opinion that are being reported. Needless to say, that any non-compliance / qualification or disclosure in this Sl.No. has serious financial ramifications that have a bearing on the course of audit proceedings.

VII. Documents to be furnished under 35(5) and Reconciliation Statement under 44(2) of the CGST Act and annexed

1. A detailed discussion in respect of documents to be furnished and the reconciliation statement in GSTR 9C have already been provided elsewhere in this book. The word "document" has to be understood carefully:
 - ✓ It is any decipherable information which is set down in a lasting form;
 - ✓ Any matter expressed or described upon substance by means of a written form and includes agreements, contracts, letters etc.,
 - ✓ Any express or implied understanding of parties written or recorded, electronically, digitally or otherwise.
2. At the end of such an exercise the relevant GSTR 9C duly filled in and signed / sealed by the Auditor needs to be annexed to this certification.

VIII. Auditor's Opinion

- (a) In order to understand the nuances of the aspects contained in this Sl.No. one may consider the issues arising in paragraph 3 of Form No. 3CB of the Income tax Rules, 1962. In this Form, the Auditor has to report that the financial statements audited by him give a 'true and fair' view. The requirement in paragraph 3 of Form No.3CA and paragraph 5 of Form No.3CB relating to particulars in Form No.3CD is that the Auditor should report that these particulars in Form No.3CD are "true and correct". The terminology "true and fair" is widely understood though not defined even under the Companies Act, 1956 (2013). On the other hand, the words "true and correct" lay emphasis on factual accuracy of the information. In this context reference is invited to AS-1 and AS(IT)-I relating to disclosure of accounting policies. These standards recognise that the major considerations governing the selection and application of accounting policies are (i) prudence, (ii) substance over form and (iii) materiality. Therefore, while giving particulars in Form No.3CD these aspects should be kept in view. In particular, considering the nature of particulars to be given in Form No.3CD, the

aspect of materiality has to be given due consideration. In other words, particulars should be given in respect of material items and the Auditor should ensure factual accuracy in regard to these particulars.

- (b) The word "Audit" means formation of an 'Opinion'. 'Opinion' requires application of professional judgement. Further, an Auditor is required to comply with auditing standards issued by the ICAI. Auditing Standards follow different principles like materiality, controls, audit evidences etc. 'Opinion' based on professional judgement reflects a 'true and fair' view and not 'true and correct' view. Further interpretation and application of law requires professional judgement and hence opinion based on this needs to be true and fair. 'True and correct' view normally is a 'certification' based on arithmetical accuracy rather than an opinion. Hence, several experts are of the view that an audit opinion needs to be a 'true and fair' view and not a 'true and correct' view.
- (c) These discussions would be a futile exercise without understanding the relevant portions of the certificate part which reads:
- ✓ **Para 5 of Part B. 1 of GSTR 9C:** "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 correct** subject to following observations/qualifications, if any":
 - ✓ **Para 4 of Part B.2 of GSTR 9C:** "In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form No.9C are **true and correct** subject to the following observations/qualifications, if any".
- (d) The above two extracts from Part B of GSTR 9C reflects that the primary objective of the Auditor is to **certify the truth and correctness** of GSTR 9C. This also augers well with the Title of Part B of GSTR 9C which calls it a certificate in synchronization with Rule 80(3), which requires reconciliation to be **duly certified**. It further reveals that the quantum of assurance required is "absolute" and not "reasonable". Thus, one can discern that the "Engagement risk" sought to be targeted is zero and not even near zero.
- (e) The Registered Person is required to keep and maintain **true and correct** account of his books and records u/s 35(1) of the CGST Act in contrast to section 128 of the Companies Act which only requires keeping books of account which give **true and fair** view of the state of affairs. Hence absolute assurance about particulars of 9C can come only if the records and documents forming part of the books of account, the examination of which are the source of this certification, are also absolutely risk free and not nearly risk free. Therefore, from end to end absolute assurance is the essence. Certification is also required in 9C regarding:

- (i) Maintenance/non-maintenance of books of accounts as required by Act/ rules / notifications
 - (ii) Agreement of books of accounts with balance sheet, profit and loss and cash flow statement
 - (iii) Documents prescribed u/s 35(5) have been annexed and Reconciliation required to be furnished u/s 44(2) in the Form 9C have been annexed.
- (f) It is not required to be certified whether Form GSTR 9 and the annual audited accounts have been annexed because Form GSTR 9 and annual audited accounts as per section 44(2) are required to be furnished along with Form GSTR 9C and not annexed with GSTR 9C, being independent attachments and not enclosures, due to apparent difference in ownership of respective documents.
- (g) Further Part B.1 and B.2 also requires:
- (i) Examination of Balance Sheet, Profit and Loss Account and Cash Flow statement
 - (ii) Forming opinion regarding keeping of proper books of account so far as it appears from the examination of those books of accounts.
 - (iii) Obtaining of Information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit
 - (iv) Signature and Stamp/seal of Auditor
- (h) The first three postulates tend to direct more towards opinion about "**Truth and Fairness**" but the words **true and fair** are conspicuous by their absence. A moot question that arises is as to why the words "True and Fair" are missing? In order to understand this aspect, one may have to look again at the points (a) to (d) as stated above and read them with the definition of audit u/s 2(13) of the CGST Act which states that:
- (i) "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:

Examination of Balance Sheet, Profit and Loss Account and Cash Flow statement	This is part of the overall examination of records, returns and documents u/s 2(13)
Forming opinion regarding keeping of proper books of	"Proper Books" books of accounts here indicate to comment upon " true and correct " account of

account so far as it appears from the examination of those books of accounts.	records and documents specified in section 35(1) and prescribed in Rule 56.
Obtaining of Information and explanation which to the best of one's knowledge and belief were necessary for the purpose of audit	Unless necessary information and explanation is obtained, truth and correctness and not truth and fairness of turnover declared, taxes paid, refund claimed, and input tax credit availed cannot be commented upon. Part II of GSTR 9C deals with reconciliation of turnover, Part III deals with reconciliation of taxes paid and Part IV deals with Input taxes paid
Signature and Stamp/seal of Auditor	Because "Audit" u/s 2(13) is the scope of Part B of GSTR 9C

- (j) The above discussion clearly demarcates that "audit" as per section 2(13) is the scope of engagement and not Audit as per the ICAI standards which aim at reasonable assurance. This however does not exonerate the members of the ICAI from responsibility to perform the statutory attest function required by Part B of GSTR 9C to be performed without following the auditing and assurance standards and guidance notes on the attest function. Rather the Auditor in this situation is required to "look ahead" of those standards and not merely to "look beyond" and "look along" those standards.
- (k) Now, having perused those notes, the Auditor needs to bring necessary matters to attention of the revenue authorities. Refer para IX below regarding details of these matters.
- (l) It is important to bear in mind that where the Auditor is expressing an 'opinion', it involves exercise of professional judgement. As such, it covers a range of responsibilities with necessary limitations too. While it covers the duty to report omission of essential matters, it also excludes the doubt whether an investigation needs to be undertaken. Further, the whole of GSTR 9C is issued under the Auditor's authority. It is not merely the numerical data but the description of various categories that come within his scope. Accordingly, an Auditor's seal of approval covers all aspects in GSTR 9C. It is for this reason that qualifications alone are not sufficient to be mentioned in the 'opinion' but every other aspect to which attention of revenue authorities needs to be drawn to, would be required.

IX. Matters for Attention

Refer **Annexure A** infra comprising the suggested range or spectrum of matters to disclose or report.

X. Conclusion

An attempt has been made in this chapter to analyse and understand the complex issues related to the activity of auditing so as to provide a basic understanding to the reader. This chapter provides only an insight while there could be several issues that may arise in complex real time situations or business environment. The Auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Module II – Certification in cases where the reconciliation statement in (GSTR 9C) is drawn up by a person other than the person who had conducted the audit of the accounts

1. Hierarchy of Clauses for Certificate

Step 1: Audit conducted by another Auditor and a copy of the Audit Report and Financials to be annexed

Step 2: Even without conducting audit, report whether books of account, etc. under the Act have / have not been maintained; It means the Auditor has to analyse, understand and check the nature of books and records that are to be maintained or have / have not been maintained;

Step 3: Report the following observations / comments / discrepancies / inconsistencies

Step 4: State whether GSTR 9C is annexed

Step 5(a): Now 'examine' books of accounts and other relevant documents

Step 5(b): Then, particulars in GSTR 9C are true and correct subject to:

Step 5l:

Step 5(d):refer list of matter's for the Auditor's attention listed below.....

Step 5l:

Step 6: Signature and Stamp and Seal of the Auditor duly disclosing the date, place and full address

2. Introduction

In this Module, it is expected that the Auditor accomplishes the 6 steps given above, each of which contain various responsibilities. Without repeating, notes under **Module I** may be referred to in respect of this Module too. Some of the key differences are as follows:

- Step 3 in **Module I** involves report about the quality of books audited;
- Step 5 in **Module II** cited supra involves examination of books and documents required for the GST audit certification;

3. Financials

Here, Financials having been audited by a different Auditor, refers to Balance Sheet, Profit and Loss account and Cash flow Statement along with notes forming part of the audit under that other law. A copy of that entire document is required to be annexed to the GSTR 9C by the Auditor along GSTIN-wise trial balance (attested by Management only) may be appended along with the same file and filed along with audit certificate.

4. Report on Books

Considering that audit has been conducted by another Auditor, this Module requires the Auditor to first report on the books presented for his review and then attend to other matters. Notes regarding 'Report on Books' under **Module I** may be referred. Please note that '**Report on Information**' is not required in **Module II**.

5. Documents to be furnished under 35(5) and Reconciliation Statement under 44(2) of the CGST Act and annexed

6. Audit Examination

Here, an Auditor is required to undertake the same exercise for purposes of the GST audit certification. The books and records that he has not audited are still available to be verified / examined as the same responsibility is ultimately placed on the GST Auditor.

7. Auditor's Opinion

Reference may be had to notes on 'Auditor's Opinion' under **Module I**. Please note that the expectation from the Auditor whether under **Module I or Module II** is almost the same. The final result being the Auditor's opinion on matters listed in GSTR 9C is reached albeit by different routes. Exercise of professional judgement is the same in both Modules.

8. Matters for Attention

Refer **Annexure A** infra comprising the range or spectrum of matters to disclose or report.

9. Conclusion

An attempt has been made in both these modules that are to be read in conjunction and thereafter analyse and understand the complex issues. This chapter only provides an insight while there could be several issues that may arise in complex real time situations or business environment. An Auditor is required to exercise caution and diligence based on facts and surrounding circumstances of each case.

Annexure A to GSTR 9C (Illustrative list of issues that may warrant reporting)

1. Subject to the Notes annexed to GSTR 9, Audit Methodology – the ICAI has published regarding samplingand the same has been followed (EXACT WORDING TO BE INSERTED)
2. Subject to para 1 above, information reported in Part II of GSTR 9C:
 - (a) Audited financial statements of the Legal Entity have been used to derive the information;
 - (b) Deemed supply transactions and transactions for non-monetary consideration do not appear in the books of accounts generally maintained due to the GAAP basis of its preparation. These transactions have been compiled separately and reported during the year / at the end of the year / after the end of the year;
 - (c) turnover from April 2017 to June 2017 have been extracted on reasonable basis from the audited financial statements as year-end closing procedures prescribed by SAS..... is not applicable for this period;
 - (d) Credit notes are issued as permitted under GAAP and compliance with requirements of section 34 of CGST Act are monitored based on year-end review of such transactions;
 - (e) Credit notes in respect of original supplies during the financial year but issued in the subsequent financial have been / have not been included within the financial year itself as an event occurring after the date of the Balance Sheet;
 - (f) Refer Annexure or details of adjustments under 5-O along with notes therein;
 - (g) Refer Annexure.....for details of reasons stated in 6;
3. Subject to para 1 above, information reported in Part II of GSTR 9C:
 - (a)
4. Subject to para 1 above, information reported in Pt. IV of GSTR 9C:
 - (a)
 - (b) Information in respect of the total GST paid on each item of inward supply as required in column (3) in Sr.no.14 has not been maintained. As such, only to the extent information is available has been reported;
 - (c) Total of information in column (2) in Sr.no.14 matches / does not match with

information pertaining to the Registered Person extracted from the audited financial statements of the Legal Entity;

5. Subject to para 1 above, information reported in Pt. IV of GSTR 9C:
 - (a)
6. Condition linked to rate of tax has / has not been violated /Advance Ruling has / has not been applied by this Registered Person and the same has / has not been ruled as on this date;
7. GST on reverse charge under section 9(4) and 5(4) are / are not paid from Jul 1, 2017 up to Oct 13, 2017;
8. Credit notes received by the Registered Person have / have not been reported as outward supplies;
9. Input tax credit reversed of Rs..... includes:
 - (a) Rs..... onafter revising credit reversal required under rule 42
 - (b) Rs..... onafter revising credit reversal required under rule 43
 - (c) Rs..... ontowards refund claimed (Rs..... refund sanctioned and Rs..... refund rejected which has / has not been restored);
10. Closing balance of input tax credit for the year does not include:
 - (a) Amount liable to be reversed under Rule 37 which has been regularly reviewed for reversal and has been reversed monthly / quarterly / annually / after audit
 - (b) Amount ineligible under Section 17(5) but details of the same are unknown as it is not maintained
 - (c) Amount ineligible due to conditional exemption applicable to outward supplies but details of the same are unknown as it is not maintained;
11. An amount of Rs..... but not appearing in GSTR 2A has been claimed as credit based on confirmation of payment of such tax obtained by the Registered Person;
12. An amount of Rs..... towards input tax credit availed and liable to be reversed has / has not been reversed (Rs..... totally reversed and Rs..... restored for the year)

FAQ's**A. General****1. Is there a separate audit required to be conducted under the CGST/ SGST/ UTGST/ IGST Act, when they are already subjected to audit under any other law?**

Section 35(5) of the CGST/ SGST Act and Section 21 of the UTGST Act, Section 20 of the IGST Act both r/w Section 35(5) of the CGST Act prescribes that every Registered Person whose turnover during a financial year exceeds the *prescribed limit* shall **get his accounts audited** by a chartered accountant or a cost accountant. The amount is prescribed in Rule 80(3) of the CGST/ SGST Rules. Every Registered Person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under the sub-section (5) of Section 35 and he shall furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

FORM GSTR 9C is divided into two parts. Part A is a reconciliation statement and Part B relates to certification to be provided by the Auditor. Part B further provides two situations. The first is where the reconciliation statement is drawn by the Auditor who has conducted the audit of the entity and the second is the case where the reconciliation statement is drawn by an Auditor, who has not conducted the audit of the entity. In the second situation, the GST Auditor relies on the audit report of the person who has conducted the audit of the entity and such certification also requires the GST Auditor to state the statute under which the audit of the entity has been conducted.

Thus we can conclude that where the audit of financial statements of the entity has been conducted under a statute other than the GST Act and by a person other than the GST Auditor, the GST Auditor relying on such audit report need not conduct audit of financials once again.

However, in a case where reconciliation statement is drawn by the Auditor who has conducted audit of the entity, then certificate does not contain any reference to the statute under which audit has been conducted. Para 2 of the certificate in the first case employs the term '*Based on our audit...*'. Para 3(b)(A) further employs the term '*we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of audit*'. Thus, it can be inferred in the first case that if audit is not required under any other statute, audit ought to be conducted under the GST Act.

2. What are the objectives of certifying GSTR 9-C?

The main objectives of certifying Form GSTR 9C are:

- To verify whether the concerned GSTIN has maintained the books of accounts,

records and documents as required u/s 35(1) of the CGST/ SGST Act (S.21 of UTGST and S.20 of IGST Act both r/w S.35(1) of CGST Act) and Rule 56 to 58 of CGST/ SGST Rules.

- To certify the correctness of the reconciliation between the turnover as per the annual return with the turnover as per the audited financial statements. The *aggregate* of turnover as per entry nos. 5N, 10 and 11 of the Annual Return ought to match with turnover as declared in entry no. 5P of the reconciliation statement.
- Due to some genuine reasons the turnover as per annual return may not tally with the turnover as per financial statements. The un-reconciled balance is declared in entry no. 5R of the reconciliation statement. *The reasons for such differences shall be stated in entry no.6 of the reconciliation statement.*
- To certify the correctness of taxable turnover. The aggregate of taxable turnover declared in entry no. 4N of the annual return ought to tally with the aggregate of taxable turnover derived from financial statements as per entry no. 7E of the reconciliation statement.
- Due to some genuine reasons the taxable turnover as per the annual return may not tally with the taxable turnover as per the financial statements. The un-reconciled balance is declared in entry no. 7G of the reconciliation statement.

G	Unreconciled taxable turnover (F-E)	AT 2
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The reasons for such difference are stated in entry no.8 of the reconciliation statement.

- To certify the correctness of taxable value and tax payable rate wise (refer entry nos. 9A to 9K of the reconciliation statement).
- To determine whether there is a difference between the tax paid, as declared in annual return, and the tax payable as declared in entry no. 9P (aggregate of entry nos. 9A to 9O) of the reconciliation statement. The reasons for the aforesaid difference shall be stated in entry no.10 of the reconciliation statement.
- To determine if additional amounts of tax payable due to:
 - Difference in un-reconciled balance in turnover (entry no.6 of the reconciliation statement)
 - Difference in un-reconciled balance in taxable turnover (entry no.8 of the reconciliation statement)
 - Difference in un-reconciled balance upon reconciliation of rate wise tax liability (entry no.10 of the reconciliation statement)

- To certify the correctness of ITC, as per the audited financial statement relating to GSTIN being audited.
- To reconcile the difference between the ITC as claimed in the annual returns and ITC as claimed in the audited financial statements. The total ITC claimed in entry no. 7J of the annual returns ought to match with aggregate of ITC claimed as per financial return (as per entry no. 12D of the reconciliation statement)

D	ITC availed as per audited financial statements or books of account	<Auto>
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Table No.	Instructions
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above would be auto-populated here.

- Due to some genuine reasons the ITC claimed as per the annual return may not tally with the ITC claimed as per financial statements. The un-reconciled balance is declared in entry no. 12F of the reconciliation statement. *The reasons for such difference shall be stated in entry no.13 of the reconciliation statement.*
- To mention details of accounts/records/documents which are not maintained as required in the IGST/CGST/State/UT GST Act.
- To provide observations / qualifications, if any.

3. What is the turnover limit for filing Form GSTR 9C?

As per Rule 80(3) of the CGST/ SGST Rules, every Registered Person whose *aggregate turnover* during a financial year exceeds two crore rupees shall get his accounts audited as specified under the sub-section (5) of Section 35 and furnish a copy of the audited annual accounts and a reconciliation statement, duly certified, in **FORM GSTR 9C**

Section 2(6) of the CGST Act defines *aggregate turnover* to mean 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 but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Thus, aggregate turnover of the PAN on all India basis would have to be considered for the purpose of filing FORM GSTR 9C. Please note that taking reference to turnover of the past (pre-GST period) does not offend this new law. Reference to past turnover is

merely to identify applicability of audit. Once identified that audit is applicable, the past turnover will not be subjected to GST. Hence, difference between retrospective law and retroactive law may be appreciated.

4. **Whether supply of alcohol for human consumption should be included in determining the threshold limit of Rs. 2 crores by a person registered under the GST?**

The definition of aggregate turnover includes exempt turnover. Exempt turnover is defined under the CGST Act to mean supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services tax Act and **includes non-taxable supply**. However, 'sale of securities' which is not includible as securities is neither good nor service. Inclusion in definition of exempt supplies for the limited purposes of 17(2) does not require its inclusion in aggregate turnover. But, amounts received as 'pure agent' is excluded for computation of tax does not qualify for exclusion from aggregate turnover.

Non-taxable supply is defined under section 2(78) of the CGST Act to mean a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services tax Act.

S.9 (1) of the CGST/ SGST Act and S.7 (1) and 5(1) of the UTGST and IGST Act respectively exclude alcoholic liquor for human consumption from the levy/charge of GST. On a combined reading of the charging sections with the definitions of non-taxable supply and exempt supply, it becomes clear that alcoholic liquor for human consumption forms part of the exempt turnover. Since aggregate turnover includes exempt turnover, the value of alcoholic liquor for human consumption is to be included while computing the threshold limit of Rs. 2 crores.

5. **Whether the term 'Aggregate turnover' includes Central tax, State tax, Union territory tax, Integrated tax and Cess for determining the applicability of Rs. 2 crores?**

Aggregate turnover as per Section 2(6) of the CGST/ SGST Acts excludes the value of central tax, State tax, Union territory tax, integrated tax and cess. Thus, the GST and compensation cess paid thereon is excluded from aggregate turnover. As a corollary, all taxes, cess, duties other than the GST paid on supply of goods/ services is to be included for the purpose of computing threshold limit of Rs. 2 crores.

6. **Whether the term 'aggregate turnover' includes freight and insurance recovered from the buyer to calculate the threshold limit?**

As per the illustration given to definition of composite supply under section 2(30) of the CGST/ SGST Act, freight and insurance paid on the supply of goods forms part of a

composite supply, the principal supply of which is goods. As per Section 8 of the CGST/SGST Act, the principal supply shall be treated as supply for the purpose of the GST Act. Therefore, freight and insurance recovered from the buyer is to be treated as principal supply and included for the purpose of computing the threshold limit of Rs. 2 crores.

7. **Whether the term 'aggregate turnover' includes stock transfers/ cross charges effected between branches located in two different states?**

Section 2(6) of the CGST/SGST Act defines aggregate turnover to include 'inter-state supplies of persons having the same PAN'. Thus, stock transfers/ cross charges/ services provided from a branch located in one state to a branch located in another state would be included in the aggregate turnover of the branch supplying the goods/ services.

8. **Whether the term 'aggregate turnover includes stock transfers effected within the State having the same GSTIN for determining the threshold limits?**

The term 'aggregate turnover' shall not include stock transfers effected within the same State having the same GSTIN for the purpose of determining the threshold limit. However, where more than one GSTINs has been taken for branches located in the same state, then such branch transfers shall be included for computing the threshold limit of Rs.2 crore for the branch supplying the goods/ services.

9. **Whether a Registered Person (for instance compulsory registration under Section 24 (1) (iii) - persons who are required to pay tax under reverse charge) under the GST having exclusively exempted supplies of goods or services exceeding Rs. 2 crores are required to file Form GSTR 9C?**

The definition of 'aggregate turnover' includes even exempted supplies. Therefore, if a person is registered under the GST and having only exempted supplies would have to file Form GSTR 9C.

10. **Is Form GSTR 9C required to be filed for every registration obtained by a person in a different State?**

Section 35(5) of SGST Act, also requires conduct of audit in addition to Section 35(5) of the CGST Act. Thus, audit is required GSTIN wise for compliance of Section 35(5) of the SGST Act. Therefore, a person having registration in Karnataka and Tamil Nadu is required to be audited under KGST Act, 17 and TNGST Act, 17. GSTR 9C is required to be filed as per Rule 80(3) of KGST Rules, 2017 and TNGST Rules. Thus, a person having registration in more than one state is required to file GSTR 9C registration wise, in each and every state.

11. **Is a Chartered Accountant required to be registered as a GST practitioner for the purpose of certifying Form GSTR 9C?**

Section 48 of the CGST/ SGST Act read with Rule 83(8) of the CGST/ SGST Rules authorizes a GST practitioner to undertake the following activities:

- (a) furnish the details of outward and inward supplies;
- (b) furnish monthly, quarterly, annual or final return;
- (c) make deposit for credit into the electronic cash ledger;
- (d) file a claim for refund; and
- (e) file an application for amendment or cancellation of registration:

The GST Act/ Rules do not vest a GST practitioner with the power to audit u/s 35(5). The power to audit is granted only to a Chartered Accountant or Cost Accountant. Therefore, a Chartered Accountant is not required to be registered as a GST practitioner for the purpose of certifying Form GSTR 9C.

12. What are the documents to be enclosed along with GSTR 9C?

As per Section 35(5), a copy of the audited accounts and such other documents in such form and manner '*as may be prescribed*' ought to be submitted along with the reconciliation statement (i.e. GSTR 9C). Prescription ought to be provided in the Rules, when the Act employs the term '*as may be prescribed*'. No documents other than the audited annual accounts have been prescribed in Rule 80(3).

Part B of GSTR 9C requires the GST Auditor to enclose a copy of the audit report of the entity, where the audit of the entity has been carried out by another person under a statute other than the GST Act. In the said case, documents declared by the said statute to form part of the audited financial statements must also be annexed to the audit report.

13. Whether Form GSTR 9 and Form GSTR 9C should be filed separately?

Section 44(2) of the CGST/ SGST Act 2017 provides that a Registered Person has to file the annual return in FORM GSTR 9 along with a copy of the reconciliation statement in FORM GSTR 9C. Thus, FORM GSTR 9C has to be filed along with FORM GSTR 9 in case the aggregate turnover exceeds Rs. 2 crores.

14. What is the time limit to file FORM GSTR 9C?

Section 44(2) requires the reconciliation statement in FORM GSTR 9C along with the annual return in FORM GSTR 9. As per S.44(1), the due date to file annual return is on or before the thirty-first day of December following the end of such financial year for which annual return is being prepared. Thus, it can be inferred that due date for filing reconciliation statement in FORM GSTR 9C is also on or before thirty-first day of December following the end of such financial year for which reconciliation statement is being prepared.

15. What are the contents of Form GSTR 9C?

FORM GSTR 9C consists of two parts. Part-A is about the Reconciliation statement. Part B is related to the Certificate to be issued by the GST Auditor.

16. Who are the persons authorized under the GST law to certify the Form GSTR 9C?

A Chartered Accountant or a Cost Accountant are the persons authorized under the GST law to certify the Form GSTR 9C as per Section 35(5) of the CGST/ SGST Act.

17. If the financial year of the dealer is a calendar year say from January to December, can the Form GSTR 9C be filed for the said period?

Section 35(5) of the CGST/ SGST Act and Rule 80(3) of the CGST/ SGST Rule both refer to the financial year. The financial year has not been defined under the GST Acts. Therefore, reference ought to be made to general clauses act as per which the financial year means a year which starts from first of April. Hence GSTR 9C cannot be filed for the accounting year, which is different from the financial year.

18. What are the consequences of non-submission of Form GSTR 9C within the prescribed time limit?

- (a) Section 44(2) of the CGST Act and State /Union Territory GST Act provides that every Registered Person shall file electronically annual return in Form GSTR 9 along with a reconciliation statement in GSTR 9-C, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.
- (b) Section 47(2) of the CGST Act provides for levy of a late fee of Rs. 100/- per day for delay in furnishing the annual return in GSTR 9, subject to a maximum amount of quarter percent (0.25%) of the turnover in the State or Union Territory. Similar provisions for levy of late fee exist under the State / Union Territory GST Act.
- (c) On a combined reading of Section 47(2) and Section 44 (2) of the CGST Act and State / Union Territory GST Act a late fee of Rs.200/- per day (Rs. 100 under CGST law + Rs. 100/- under State / Union Territory GST law) can be levied which would be capped to a maximum amount of half percent (0.25% under the CGST Law + 0.25% under the SGST / UTGST Law) of turnover in the State or Union Territory.
- (d) In a situation where a Registered Person gets GSTR 9C duly certified but fails to furnish both GSTR 9 and GSTR 9C on the common portal, the provisions of late fee cited in clause "a to c" supra would equally apply.
- (e) In a situation where a Registered Person files only GSTR 9 but fails to file GSTR 9C, the filing of GSTR 9 is not considered to have been defaulted, whereby the

late fee cited in clause "a to c" supra would not apply. However, there may be consequences of default in complying with the provisions of Section 44(2).

19. **Can the late fee be waived off in genuine cases?**

The Government may, by notification, waive in part or full, any late fee referred to in Section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendation of the Council. However, no notification has been issued by the Central Government/ State Government as on date.

20. **Where a part of the records of the dealer have been seized by the GST authorities before the due date for submission of the Form GSTR 9C and the dealer has not been able to get his accounts and file Form GSTR 9C, will the late fee still be applicable?**

Yes. There is no specific provision for waiver of late fee in the aforesaid scenario. However, as per the second proviso to Section 67(2), the documents or books or things so seized shall be retained by such officer only for so long as may be necessary for their examination and for any inquiry or proceedings under this Act.

Further, as per Section 67(3) the documents, books or things which have not been relied upon for the issue of notice under this Act or the rules made thereunder, shall be returned to such persons within a period not exceeding thirty days of the issue of the said notice.

More importantly, as per Section 67(5), the Registered Person shall be entitled to make copies of the documents, books or things or take extracts therefrom in the presence of an authorised officer except where making such copies or taking such extracts may, in the opinion of the proper officer, prejudicially affect the investigation. Thus, the photocopies may be relied upon for submission of FORM GSTR 9C in case where the books have been seized.

21. **Is there any provision of filing the Revised Form GSTR 9C?**

There is no provision enabling a dealer to file revised Form GSTR 9C. As such, some experts opine that, the Certificate once issued / filed cannot be revised in view of no such revision being permitted to audited reports by a Chartered Accountant. However, there is another view that since there are no specific bar/ restrictions under the GST law to file a revised audit report/ certificate, a revised audit report / certificate can be issued / filed. Care must be exercised to ensure that the relevant Form GSTR 9C is not taken lightly and filed with inaccurate particulars. Caution is advised in taking such a position unless the Government issues any clarification in this regard. While one can appreciate that mistakes can creep in and therefore warrant a revision, it must be ensured that there is no mala fide at the time of filing this reconciliation statement. If necessary the

reasons for the revision and impact can be communicated and relied upon to support *bona fides* of the actions.

22. Can the Internal Auditor of the dealer certify Form GSTR 9C?

An internal Auditor cannot certify FORM GSTR 9C as per instructions issued by the ICAI.

23. Can a Registered Person contend that Special Audit u/s 66 cannot be conducted by a Chartered Accountant/ Cost Accountant when FORM GSTR 9C has been filed?

Special audit u/s 66 is conducted during the stage of scrutiny, inquiry, investigation or any other proceedings before departmental officers, if the departmental officer having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the *value* has not been correctly declared or the *credit* availed is not within the normal limits. In such a case, with the prior approval of the Commissioner, the departmental officer may direct the Registered Person by a communication in writing to get his records including the books of account examined and audited by a Chartered Accountant or a Cost Accountant as may be nominated by the Commissioner.

Audit under section 35(5) has to be carried out by every Registered Person whose aggregate turnover is greater than Rs. 2 crores. Thus, the audit contemplated under both the aforesaid conditions are entirely different though audit is conducted in both the aforesaid cases by a Chartered Accountant/ Cost Accountant.

24. Does the submission of the Form GSTR 9C mean that the Commissioner or any officer authorized by him will not undertake an audit under Section 65 of the CGST Act?

The provisions relating to departmental audit u/s 65 and provisions relating to audit u/s 35(5) are two independent provisions. Audit u/s 35(5) is required when aggregate turnover is greater than Rs.2 crores whereas there is no such condition for audit u/s 65. Further audit u/s 65 is by the department whereas audit u/s 35(5) is by a Chartered Accountant/ Cost Accountant. Thus, submission of FORM GSTR 9C would not in any manner curtail the right of the department to conduct an audit.

Part B

1. In which situation is Part I or Part II of the certification required to be certified?

1. Part I certification is to be certified by a Chartered Accountant / firm of Chartered Accountant wherein the audit of books of accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by the same Chartered Accountant / firm of Chartered Accountant

2. Part II certification is to be certified by a Chartered Accountant / firm of Chartered Accountant of a Cost Accountant firm of Cost Accountants if the audit of books of accounts, financial statements and reconciliation statement in Form GSTR 9C are certified by some other Chartered Accountant / firm of Chartered Accountant.
2. **What is the difference between the word 'observation' and 'qualification'?**
 1. **Observation:** The word 'observation' has not been defined under the CGST Act or under the Standards of Auditing issued by the ICAI. Therefore, dictionary meaning would have to be taken. As per the Law Lexicon, authored by P Ramanatha Iyer, observation means 'view' or 'remark'.
 2. **Qualification:** The word 'qualification' has not been defined under the CGST Act. As per SA 705 issued by the ICAI, the Auditor shall express a qualified opinion when:
 - (a) The Auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
 - (b) The Auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the Auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Therefore, while certifying Form GSTR 9C the Chartered Accountant should take utmost care in reporting a matter as an 'observation' or as a 'qualification'.
3. **Whether a Chartered Accountant in Service can certify Form GSTR 9C?**

No. Only a Chartered Accountant in practice can certify the Form GSTR 9C. The Council at its 242nd Meeting has passed a Resolution, effective from 1st April 2005, that any member in part time practice (holding certificate of practice and also engaging himself in other business or occupation) is not entitled to perform attest function. The audit under the GST Laws being an attest function, the resolution of the Council is applicable for such audit also. Therefore, any member in part time practice cannot perform an audit under the GST Laws. Thus it follows that a Chartered Accountant in Service cannot certify GSTR 9C.

APPENDICES

Appendix 1

(Reference - CHAPTER 2)
GSTR 9C
 See rule 80(3)
 PART – A - Reconciliation Statement

Pt. I	Basic Details		
1	Financial Year		
2	GSTIN		
3A	Legal Name	< Auto >	
GSTR 3B	Trade Name (if any)	< Auto >	
4	Are you liable to audit under any Act?		<< Please specify >>
		(Amount in <input type="checkbox"/> in all tables)	
Pt. II	Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)		
5	Reconciliation of Gross Turnover		
A	Turnover (including exports) as per audited financial statements for the State / UT (For multi-GSTIN units under same PAN the turnover shall be derived from the audited Annual Financial Statement)		
B	Unbilled revenue at the beginning of Financial Year	(+)	
C	Unadjusted advances at the end of the Financial Year	(+)	
D	Deemed Supply under Schedule I	(+)	
E	Credit Notes issued after the end of the financial year but reflected in the annual return	(+)	

F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	
G	Turnover from April 2017 to June 2017	(-)	
H	Unbilled revenue at the end of Financial Year	(-)	
I	Unadjusted Advances at the beginning of the Financial Year	(-)	
J	Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST	(-)	
K	Adjustments on account of supply of goods by SEZ units to DTA Units	(-)	
L	Turnover for the period under composition scheme	(-)	
M	Adjustments in turnover under Section 15 and rules thereunder	(+/-)	
N	Adjustments in turnover due to foreign exchange fluctuations	(+/-)	
O	Adjustments in turnover due to reasons not listed above	(+/-)	
P	Annual turnover after adjustments as above		< Auto >
Q	Turnover as declared in Annual Return (GSTR9)		
R	Un-Reconciled turnover (Q - P)		AT1
6	Reasons for Un - Reconciled difference in Annual Gross Turnover		
A	Reason 1	<< Text >>	
B	Reason 2	<< Text >>	
C	Reason 3	<< Text >>	
7	Reconciliation of Taxable Turnover		
A	Annual turnover after adjustments (from 5P above)		< Auto >
B	Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover		
C	Zero rated supplies without payment of tax		
D	Supplies on which tax is to be paid by the recipient on reverse charge basis		
E			
F	Taxable turnover as per adjustments above (A-B-C-D)		< Auto >
	Taxable turnover as per liability declared in Annual Return (GSTR9)		

G	Unreconciled taxable turnover (F-E)					AT 2
8	Reasons for Un - Reconciled difference in taxable turnover					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
Pt. III	Reconciliation of tax paid					
9	Reconciliation of rate wise liability and amount payable thereon					
			Tax payable			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated Tax	Cess, if applicable
	1	2	3	4	5	6
A	5%					
B	5% (RC)					
C	12%					
D	12% (RC)					
E	18%					
F	18% (RC)					
G	28%					
H	28% (RC)					
I	3%					
J	0.25%					
K	0.10%					
L	Interest					
M	Late Fee					
N	Penalty					
O	Others					
P	Total amount to be paid as per tables above		< Auto >	< Auto >	< Auto >	< Auto >

Q	Total amount paid as declared in Annual Return (GSTR 9)					
R	Un-reconciled payment of amount (PT 1)					
10	Reasons for un-reconciled payment of amount					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
11	Additional amount payable but not paid (due to reasons specified under Tables 6,8 and 10 above)					
			To be paid through Cash			
	Description	Taxable Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6
	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Interest					
	Late Fee					
	Penalty					
	Others (please specify)					
Pt. IV	Reconciliation of Input Tax Credit (ITC)					
12	Reconciliation of Net Input Tax Credit (ITC)					
A	ITC availed as per audited Annual Financial Statement for the State/ UT (For multi-GSTIN units under same PAN this should be derived from books of accounts)					

B	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
C	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
D	ITC availed as per audited financial statements or books of account		< Auto >
E	ITC claimed in Annual Return (GSTR9)		
F	Un-reconciled ITC		ITC 1
13	Reasons for un-reconciled difference in ITC		
A	Reason 1	<< Text >>	
B	Reason 2	<< Text >>	
C	Reason 3	<< Text >>	
14	Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account		
	Description	Value	Amount of Total ITC
	1	2	3
A	Purchases		
B	Freight / Carriage		
C	Power and Fuel		
D	Imported goods (Including received from SEZs)		
E	Rent and Insurance		
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples		
G	Royalties		
H	Employees' Cost (Salaries, wages, Bonus etc.)		
I	Conveyance charges		
J	Bank Charges		

K	Entertainment charges					
L	Stationery Expenses (including postage etc.)					
M	Repair and Maintenance					
N	Other Miscellaneous expenses					
O	Capital goods					
P	Any other expense 1					
Q	Any other expense 2					
R	Total amount of eligible ITC availed				<Auto>	
S	ITC claimed in Annual Return (GSTR9)					
T	Un-reconciled ITC (ITC 2)					
15	Reasons for un - reconciled difference in ITC					
A	Reason 1	<< Text >>				
B	Reason 2	<< Text >>				
C	Reason 3	<< Text >>				
16	Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 and 15 above)					
	Description	Amount Payable				
	Central Tax					
	State/UT Tax					
	Integrated Tax					
	Cess					
	Interest					
	Penalty					
Pt. V	Auditor's recommendation on additional Liability due to non-reconciliation					
			To be paid through Cash			
	Description	Value	Central tax	State tax / UT tax	Integrated tax	Cess, if applicable
	1	2	3	4	5	6

	5%					
	12%					
	18%					
	28%					
	3%					
	0.25%					
	0.10%					
	Input Tax Credit					
	Interest					
	Late Fee					
	Penalty					
	Any other amount paid for supplies not included in Annual Return (GSTR 9)					
	Erroneous refund to be paid back					
	Outstanding demands to be settled					
	Other (Pl. specify)					

Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Membership No

Date:

Full address

Verification of registered person:

I hereby solemnly affirm and declare that I am uploading the reconciliation statement in **FORM GSTR-9C** prepared and duly signed by the Auditor and nothing has been tampered or altered by me in the statement. I am also uploading other statements, as applicable, including financial statement, profit and loss account and balance sheet etc.

Signature

Place:

Date:

Name of Authorized Signatory

Designation/status

Instructions:

1. Terms used:
 - (a) GSTIN: Goods and Services Tax Identification Number
2. It is mandatory to file all your FORM GSTR-1, FORM GSTR-3B and FORM GSTR -9 for the FY 2017-18 before filing this return. The details for the period between July 2017 to March 2018 are to be provided in this statement for the financial year 2017-18. The reconciliation statement is to be filed for every GSTIN separately.
3. The reference to current financial year in this statement is the financial year for which the reconciliation statement is being filed for.
4. Part II consists of reconciliation of the annual turnover declared in the audited Annual Financial Statement with the turnover as declared in the Annual Return furnished in FORM GSTR-9 for this GSTIN. The instructions to fill this part are as follows :-

Table No.	Instructions
5A	The turnover as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities will have to internally derive their GSTIN wise turnover and declare the same here. This shall include export turnover (if any). It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.
5B	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting in the last financial year and was carried forward

	<p>to the current financial year shall be declared here. In other words, when GST is payable during the financial year on such revenue (which was recognized earlier), the value of such revenue shall be declared here.</p> <p>(For example, if rupees Ten Crores of unbilled revenue existed for the financial year 2016-17, and during the current financial year, GST was paid on rupees Four Crores of such revenue, then value of rupees Four Crores rupees shall be declared here)</p>
5C	Value of all advances for which GST has been paid but the same has not been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5D	Aggregate value of deemed supplies under Schedule I of the CGST Act, 2017 shall be declared here. Any deemed supply which is already part of the turnover in the audited Annual Financial Statement is not required to be included here.
5E	Aggregate value of credit notes which were issued after 31 st of March for any supply accounted in the current financial year but such credit notes were reflected in the annual return (GSTR-9) shall be declared here.
5F	Trade discounts which are accounted for in the audited Annual Financial Statement but on which GST was leviable (being not permissible) shall be declared here.
5G	Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.
5H	Unbilled revenue which was recorded in the books of accounts on the basis of accrual system of accounting during the current financial year but GST was not payable on such revenue in the same financial year shall be declared here.
5I	Value of all advances for which GST has not been paid but the same has been recognized as revenue in the audited Annual Financial Statement shall be declared here.
5J	Aggregate value of credit notes which have been accounted for in the audited Annual Financial Statement but were not admissible under Section 34 of the CGST Act shall be declared here.
5K	Aggregate value of all goods supplied by SEZs to DTA units for which the DTA units have filed bill of entry shall be declared here.
5L	There may be cases where registered persons might have opted out of the composition scheme during the current financial year. Their turnover as per the audited Annual Financial Statement would include turnover both as composition

	taxpayer as well as normal taxpayer. Therefore, the turnover for which GST was paid under the composition scheme shall be declared here.
5M	There may be cases where the taxable value and the invoice value differ due to valuation principles under Section 15 of the CGST Act, 2017 and rules thereunder. Therefore, any difference between the turnover reported in the Annual Return (GSTR 9) and turnover reported in the audited Annual Financial Statement due to difference in valuation of supplies shall be declared here.
5N	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to foreign exchange fluctuations shall be declared here.
5O	Any difference between the turnover reported in the Annual Return (GSTR9) and turnover reported in the audited Annual Financial Statement due to reasons not listed above shall be declared here.
5Q	Annual turnover as declared in the Annual Return (GSTR 9) shall be declared here. This turnover may be derived from Sr. No. 5N, 10 and 11 of Annual Return (GSTR 9).
6	Reasons for non-reconciliation between the annual turnover declared in the audited Annual Financial Statement and turnover as declared in the Annual Return (GSTR 9) shall be specified here.
7	The table provides for reconciliation of taxable turnover from the audited annual turnover after adjustments with the taxable turnover declared in annual return (GSTR-9).
7A	Annual turnover as derived in Table 5P above would be auto-populated here.
7B	Value of exempted, nil rated, non-GST and no-supply turnover shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7C	Value of zero rated supplies (including supplies to SEZs) on which tax is not paid shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7D	Value of reverse charge supplies on which tax is to be paid by the recipient shall be declared here. This shall be reported net of credit notes, debit notes and amendments if any.
7E	The taxable turnover is derived as the difference between the annual turnover after adjustments declared in Table 7A above and the sum of all supplies (exempted, non-GST, reverse charge etc.) declared in Table 7B, 7C and 7D above.

7F	Taxable turnover as declared in Table 4N of the Annual Return (GSTR9) shall be declared here.
8	Reasons for non-reconciliation between adjusted annual taxable turnover as derived from Table 7E above and the taxable turnover declared in Table 7F shall be specified here.

5. Part III consists of reconciliation of the tax payable as per declaration in the reconciliation statement and the actual tax paid as declared in Annual Return (GSTR9). The instructions to fill this part are as follows :-

Table No.	Instructions
9	The table provides for reconciliation of tax paid as per reconciliation statement and amount of tax paid as declared in Annual Return (GSTR 9). Under the head labelled –RC , supplies where tax was paid on reverse charge basis by the recipient (i.e. the person for whom reconciliation statement has been prepared) shall be declared.
9P	The total amount to be paid as per liability declared in Table 9A to 9O is auto populated here.
9Q	The amount payable as declared in Table 9 of the Annual Return (GSTR9) shall be declared here. It should also contain any differential tax paid on Table 10 or 11 of the Annual Return (GSTR9).
10	Reasons for non-reconciliation between payable / liability declared in Table 9P above and the amount payable in Table 9Q shall be specified here.
11	Any amount which is payable due to reasons specified under Table 6, 8 and 10 above shall be declared here.

6. Part IV consists of reconciliation of Input Tax Credit (ITC). The instructions to fill Part IV are as under:-

Table No.	Instructions
12A	ITC availed (after reversals) as per the audited Annual Financial Statement shall be declared here. There may be cases where multiple GSTINs (State-wise) registrations exist on the same PAN. This is common for persons / entities with presence over multiple States. Such persons / entities, will have to internally derive their ITC for each individual GSTIN and declare the same here. It may be noted that reference to audited Annual Financial Statement includes reference to books of accounts in case of persons / entities having presence over multiple States.

12B	Any ITC which was booked in the audited Annual Financial Statement of earlier financial year(s) but availed in the ITC ledger in the financial year for which the reconciliation statement is being filed for shall be declared here. This shall include transitional credit which was booked in earlier years but availed during Financial Year 2017-18.
12C	Any ITC which has been booked in the audited Annual Financial Statement of the current financial year but the same has not been credited to the ITC ledger for the said financial year shall be declared here.
12D	ITC availed as per audited Annual Financial Statement or books of accounts as derived from values declared in Table 12A, 12B and 12C above will be auto-populated here.
12E	Net ITC available for utilization as declared in Table 7J of Annual Return (GSTR9) shall be declared here.
13	Reasons for non-reconciliation of ITC as per audited Annual Financial Statement or books of account (Table 12D) and the net ITC (Table 12E) availed in the Annual Return (GSTR9) shall be specified here.
14	This table is for reconciliation of ITC declared in the Annual Return (GSTR9) against the expenses booked in the audited Annual Financial Statement or books of account. The various sub-heads specified under this table are general expenses in the audited Annual Financial Statement or books of account on which ITC may or may not be available. Further, this is only an indicative list of heads under which expenses are generally booked. Taxpayers may add or delete any of these heads but all heads of expenses on which GST has been paid / was payable are to be declared here.
14R	Total ITC declared in Table 14A to 14Q above shall be auto populated here.
14S	Net ITC availed as declared in the Annual Return (GSTR9) shall be declared here. Table 7J of the Annual Return (GSTR9) may be used for filing this Table.
15	Reasons for non-reconciliation between ITC availed on the various expenses declared in Table 14R and ITC declared in Table 14S shall be specified here.
16	Any amount which is payable due to reasons specified in Table 13 and 15 above shall be declared here.

7. Part V consists of the auditor's recommendation on the additional liability to be discharged by the taxpayer due to non-reconciliation of turnover or non-reconciliation of input tax credit. The auditor shall also recommend if there is any other amount to be paid for supplies not included in the Annual Return. Any refund which has been erroneously taken and shall be paid back to the Government shall also be declared in

this table. Lastly, any other outstanding demands which is recommended to be settled by the auditor shall be declared in this Table.

8. Towards the end of the return, taxpayers shall be given an option to pay any additional liability declared in this form, through FORM DRC-03. Taxpayers shall select –Reconciliation Statement in the drop down provided in FORM DRC-03. It may be noted that such liability shall be paid through electronic cash ledger only.

PART – B- CERTIFICATION

I. Certification in cases where the reconciliation statement (GSTR 9C) is drawn up by the person who had conducted the audit:

* I/we have examined the-

- (a) balance sheet as on
- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on, and
- (c) the cash flow statement for the period beginning fromto ending on, - attached herewith, of M/s (Name), (Address),(GSTIN).

2. Based on our audit 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:

- 1.
- 2.
- 3.

3. (a) *I/we report the following observations/ comments / discrepancies / inconsistencies; if any:

.....

.....

3. (b) *I/we further report that, -

(A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit/ information and

explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit were not provided/partially provided to us.

- (B) In *my/our opinion, proper books of account *have/have not been kept by the registered person so far as appears from *my/ our examination of the books.
- (C) I/we certify that the balance sheet, the *profit and loss/income and expenditure account and the cash flow Statement are *in agreement/not in agreement with the books of account maintained at the Principal place of business atand ** additional place of business within the State.

4. The documents required to be furnished under Section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act is annexed herewith in Form No. GSTR 9C.

5. 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 correct subject to following observations/qualifications, if any:

- (a)
- (b)
- (c)

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Membership No

Date:

Full address

II. Certification in cases where the reconciliation statement (GSTR 9C) is drawn up by a person other than the person who had conducted the audit of the accounts:

*I/we report that the audit of the books of accounts and the financial statements of M/s..... (Name and address of the assessee with GSTIN) was conducted by M/s. (full name and address of auditor along with status), bearing membership number in pursuance of the provisions of theAct, and *I/we annex hereto a copy of their audit report dated along with a copy of each of :-

- (a) balance sheet as on

- (b) the *profit and loss account/income and expenditure account for the period beginning fromto ending on,
- (c) the cash flow statement for the period beginning fromto ending on, and
- (d) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. 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:

- 1.
- 2.
- 3.

3. The documents required to be furnished under Section 35 (5) of the CGST Act and Reconciliation Statement required to be furnished under Section 44(2) of the CGST Act is annexed herewith in Form No. GSTR 9C.

4. In *my/our opinion and to the best of *my/our information and according to examination of books of account including other relevant documents and explanations given to *me/us, the particulars given in the said Form GSTR 9C are true and correct subject to the following observations/qualifications, if any:

- (a)
- (b)
- (c)

** (Signature and Stamp / Seal of the Auditor)

Place:

Name of the signatory

Membership No

Date:

Full address

Appendix 2

(Reference - CHAPTER 2 (SECTION I))

A. Suggested draft format for Appointment Letter

To

ABC and Co.,

Chartered Accountants

<<<<<Address>>>>>

Dear Sirs,

Sub: Appointment of GST Auditors (Joint Auditors) under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] for the previous year ending on 31st March 2018

We are pleased to inform you that vide Resolution of the Board of Directors dated * you* / your firm* have* / has* been appointed GST Auditors / Joint GST Auditors of our Firm* / Company* (other entities viz., Trust), carrying the business under the name and style as **(Name of the client and address and GSTIN)** for conducting the audit under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] for the previous year ending on 31st March 2018.

The remuneration for conducting the said audit is fixed at Rs..... All applicable taxes, out of pocket expenses such as travelling, conveyance etc., shall be extra, at actuals.

Kindly confirm your acceptance for the above appointment.

For

Authorised Signatory

[Name and designation]

Place:

Date:

*** Strike out whichever is not applicable and make suitable changes on a case to case basis**

B. Suggested draft format for Acceptance Letter

<<<< Name and address of the entity>>>>

Dear Sir,

Sub: Our appointment as GST Auditors* (Joint Auditors*) under Section 35(5) and Section 44(2) of the CGST Act read with Rule 80(3) of the CGST Rules [read with the corresponding provisions of the State / Union Territory Goods and Services Tax Acts] to certify the Reconciliation Statement in GSTR 9-C prepared for the financial year ended 31st March 2018

Ref: Your appointment letter dated / GSTIN:

We are in receipt of your appointment letter dated, in relation to the captioned matter. We are pleased to confirm our acceptance and our understanding of this engagement, by means of this letter.

1. The Management is responsible for compliances with the GST laws, comprising the Union Territory Goods and Services Tax / Central Goods and Services Tax / State Goods and Services Tax Act, 2017* and Integrated Goods and Services Tax Act, 2017 and the respective rules framed thereunder, and for the preparation of the GSTR 9CGSTR GSTR 9C in compliance of those laws.
2. The responsibility of the Management also includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the Entity / Firm / Company* and for preventing and detecting fraud or other irregularities. As part of our audit process, we will request from the Management written confirmation concerning representations made to us in connection with the audit.
3. Our responsibility is to audit the particulars included in the GSTR 9C to ensure that they are free of any material mis-statement.
4. Our audit will be conducted in accordance with the auditing standards generally accepted in India and in line with the requirements under the GST laws. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the relevant GSTR 9C is free of material mis-statements. An audit includes examination on a test basis, using the concept of materiality, evidence supporting the amounts and disclosures in GSTR 9C. The audit may also include assessing the accounting principles used and significant estimates made by the Management in the presentation of financial statements.

5. In addition, we will consider, solely for the purpose of planning of our audit and determining the nature, timing, and extent of our audit procedures, the enterprise's internal control. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.
6. Having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence, together with inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected.
7. As required by auditing standards generally accepted in India, we will make specific inquiries of Management about the representations contained in the financial statements and other reports as may be applicable and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in India also require that, at the conclusion of the audit, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the GSTR 9C or other reports. Owing to the importance of Management's representations to an effective audit and review, the enterprise agrees liability and costs relating to our services under this letter attributable to any misrepresentations by Management. Management is responsible for providing us with all financial records and related information / documents on a timely basis, and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.
8. The working papers prepared in conjunction with our audits are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures. However, we acknowledge that the details or data received from you for preparation of these working papers are / is confidential information of the enterprise and will not be disclosed by us to any third party, except as set out in paragraph 9 below or when required by legislation, without the prior written consent from the Company.
9. In accordance with the Statement on Peer Review issued by the Institute of Chartered Accountants of India, our attest services may be subject to a peer review to be conducted by an independent reviewer who can inspect, examine or take abstract of our work papers including those provided by you.

10. If these arrangements are acceptable, please sign one copy of this letter and return it to us. We very much appreciate the opportunity to serve you and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

For
Chartered Accountants

Proprietor/Partner/Director

Place:

Date:

*** Strike out whichever is not applicable and make suitable changes on a case to case basis**

Appendix 3 (Checklist)

**(Reference - CHAPTER 3 (SECTION I)
Suggested Audit Checklist**
(Advisable to read along with the contents of Chapter 5)

Client's Name.....

Financial / Accounting Year.....

		Checked By	Yes	No	N.A	Remarks
1	GST Registration Certificate					
	Have you checked whether the Supplier has applied for New Registration or has he Migrated?					
	Have you checked the registration details of: Registered Person, Business Verticals, Factory / Warehouse / Godown, ISD and in respect of Other place of business?					
	Whether GSTIN is displayed in Name Board viz., Godown /Branches / other places of business?					
	Whether the additional place of business within the State is incorporated in the Registration Certificate?					
	Whether the Separate Registration is taken for Input Service Distributor?					
	Whether any amendment is required to be made to the Registration Certificate?					
	Others, if any					

2	Invoicing documentation					
	Whether Tax Invoice or Bill of supply is issued as per GST law? Whether it contains all the relevant particulars as required under law?					
	Whether Tax Invoice for supply of goods is issued on or before the removal / delivery of goods?					
	Whether Tax Invoice for supply of services is issued within 30 days from date of supply of service?					
	Whether bill of supply is issued for exempt supplies/ non- GST supplies?					
	Whether the Revised Invoice is issued in case of New Registration?					
	Whether Receipt voucher is issued for receipt of advance?					
	Whether Self-invoice and payment voucher is issued in case of RCM transactions under Section 9(4)?					
	Whether refund voucher is issued for refund of advance received?					
	Whether Credit note/ Debit notes are issued as per the provisions of the GST law as per Section 34?					
	Whether Credit note/Debit Note is issued before 30th September of the Subsequent Financial Year?					
	Have you checked correctness of Tax Invoice /Bill of supply with the appropriate Supply Register/ GSTR 1?					
	Whether the Tax Invoice/Bill of supply is cancelled for genuine					

	reasons, if any like Name of party /details where applicable?					
	Whether any Invoice cum Bill of supply is raised for specific transactions?					
	Whether the transport documents are maintained and verified?					
	Whether any copies of Credit Note and Debit Note are raised otherwise than as specified in Section 34?					
	Whether the Delivery challans/E-way bill Register is maintained?					
	Whether Series of documents issued as per clause 13 of GSTR 1 matches with the Books of Account from July 2017 to March 2018?					
	Others if any specify					
3	Goods Sent to Job Work					
	Whether the conditions are fulfilled for claiming input tax credit on goods (including capital goods) sent for job work?					
	Whether the Principal has sent goods to the job worker under the cover of delivery challans?					
	Whether the registered person has furnished FORM ITC 04 for the quarters in which goods were sent out for job work?					
	In case the registered person has supplied goods directly from the place of business of job worker, whether he has satisfied the conditions laid down in proviso to Section 143 (1) of GST Act?					

	In case the job worker is unregistered, and such job worker has supplied any waste/ scrap generated during the job work from his place of business directly, whether the registered person has paid tax on such supply?				
	Have you checked any goods are sent for job work and returned within specified time?				
	Others if any specify				
4	Supply				
	Whether the kind of outward supplies like Taxable supply, Exempted supply, Zero- rated supply, NIL rated supply, Supplies to SEZ unit / developers / Deemed Export and Merchant Export etc. are appropriately classified under GST law?				
	Whether any transaction which falls within the scope of supply has not been identified by the Registered Person?				
	Have you checked Interstate supply as per Section 7(5) of the IGST Act 2017?				
	Have you checked Intra State supply as per Section 8 of the IGST Act 2017?				
	Whether the Zero-rated supply is verified as per the provisions of the law?				
	Whether the supplies made by a registered person falls within the meaning of Composite /non-				

	composite/ Mixed supply? If yes, whether the same has been offered to tax as per Section 8 of the CGST Act?				
	Have you checked for sale of capital goods and the GST charged and as to whether they are included in the returns filed?				
	Whether Interstate supply is regarded as Intra state supply and vice versa?				
	Whether abatement provisions, if any, are applicable (like one third for land) is complied with?				
	Whether the transactions are correctly classified as supply of goods or supply of services?				
	Have you checked the deemed supply as per schedule I?				
	Are there any transactions wherein the goods sent for job work not received back are treated as supply?				
	Others if any specify				
5	Time of supply				
	Whether Time of supply provisions have been complied as per Section 12 and 13 of the CGST Act?				
	In case of change in rate of tax in respect of goods or services, whether the time of supply has been determined as per Section 14 of the CGST Act?				
	Whether time of supply is complied for continuous supply of goods/Continuous supply of services should be verified?				

	Whether time of supply is compiled for Reverse charge?				
	Whether time of supply is compiled for goods sent on approval?				
	Others if any specify				
6	Input Tax Credit				
	Have you checked the input tax credit availed with invoices from vendors like Bill of Entry, Tax Invoice, Debit Note, Self-Invoice, ISD Invoice?				
	Have you checked entries in Inward supplies records for input tax and reconciled with Invoices from the vendors?				
	Have you checked the inward supplies records with Monthly return and ascertained reasons for variations, if any?				
	Have you made a list of restricted input tax credit items as per the GST law?				
	Have you tallied monthly return with Input tax credit receivable, if any?				
	Have you reconciled tax collections with payments and transfer of the balance to appropriate accounts?				
	Have you checked adjustment of tax set-off by relevant journal entries?				
	Have you checked that input tax credit on capital goods is correctly availed?				
	Whether Input Tax credit is				

reversed for the sale of capital goods as specified in GST law?					
Any Reversal of input tax credit for the goods sent for job work?					
Whether the recipient of supply has effected payment for such inward supply within 180 days from the date of Invoice?					
Whether input tax credit availed is debited to recoverable account for availing re-credit?					
Whether the supplier has availed both benefits of depreciation and input tax credit?					
Whether the documents (tax invoice/ debit note) on the basis on which input tax credit is claimed contains the mandatory details of the recipient such as Name, GSTIN, Address and all other particulars as prescribed?					
Whether Input tax credit is reversed against the receipt of Credit Note?					
Whether input tax credit is bifurcated in to eligible, ineligible, blocked and common credits?					
Whether the common credits are reversed as per Rule 42 of the CGST Rules?					
Whether input tax credit is availed on capital goods? If yes, whether credit is reversed as per Rule 43 of the CGST Rules?					
Whether reconciliation of input tax credit between GSTR 3B and GSTR 2A is done?					

	Whether transitional Credit is availed as per the provisions of the law?					
	Whether any ineligible transitional credit is reversed as per the law?					
	Have you tallied monthly return with Input tax credit receivable?					
	Any Reversal of Input Tax Credit for change in scheme from composition to Regular?					
	Others if any specify					
7	Input Tax Service Distributor					
	Whether separate registration is taken as per the Provisions of law?					
	Whether any tax is payable under reverse charge and obtained separate Registration?					
	Whether eligible and ineligible input tax credit is apportioned as per the GST law?					
	Is there is any reversal of Input tax credit and credit note is issued?					
	Whether the calculation of Turnover for allocating the input tax credit is as per the law?					
	Whether the ISD invoice containing the relevant particulars is issued correctly as per the provisions of the law?					
	Others if any specify					
8	Classifications					
	Whether the classification of goods/ services is in conformity with Schedules / Notifications?					

	Whether the HSN classification is verified to confirm the rate of tax on goods and services?					
	Whether the HSN details for inward and outward supply are verified?					
	Whether the SAC code/HSN code is as per the law?					
	Whether the HSN/SAC classification is the same as was followed in the erstwhile law if applicable?					
	Is there any specific Advance Ruling applicable?					
	Whether there has been any change in rate of tax during the period by way of amendment in the rate of tax notification or exemption notification?					
	Others if any specify					
9	Returns					
	Whether the copies of the GST returns filed by the registered person are reviewed?					
	Whether reconciliation of GSTR 9 with GSTR1 and GSTR 3B is done?					
	Whether interest which was due, has been paid while filing the Return?					
	Whether any late fee which is due is paid while filing the return or any late fee which was waived?					
	Whether transitional credit Returns are filed within the due date?					

	Whether transitional credit Returns are not filed due to technical glitches?					
	Whether the amendment details are filed correctly in the Returns?					
	Others if any specify					
10	GST collections and payment verification					
	Have you checked whether tax payable is paid within the prescribed time as per the GST law?					
	Have you checked whether tax is being collected beyond tax payable? If yes, whether Sec. 76 is complied.					
	Whether the tax payer charged wrongly IGST in place of CGST/SGST or <i>vice versa</i> ?					
	Have you followed the provisions of Rule 35 of the CGST Rules in respect of collection of taxes?					
	Is there any excess collection of taxes?					
	Others if any specify					
11	Reverse Charge					
	Whether Reverse charge tax is paid under 9(4) of the CGST Act 2017 up to 12 th October 2017?					
	Whether Reverse charge tax on notified supplies under Section 9(3) and 9(5) of the CGST Act 2017 is duly paid?					

	Whether Reverse charge tax has been paid wrongly in lieu of CGST/SGST as IGST or <i>vice versa</i> ?					
	Whether corresponding input tax credit is availed on Reverse charge?					
	Whether conditions of paying tax for RCM are fulfilled?					
	Others if any specify					
12	Value of Supply					
	Whether all the inclusions to the value of supply as per Section 15 of the Act have been verified?					
	Whether discount offered to customers (pre/ post supply) is not included in the value of supply after fulfillment of conditions under Section 15(3) of the Act?					
	Whether valuation rules have been applied as per the GST law?					
	Whether the registered person has claimed any pure agent deduction as per Rule 33?					
	In case the value of supply is inclusive of the GST, whether the taxable value and tax amount is determined as per Rule 35 of the CGST Rules, 2017?					
	In case of exports, whether the rate of exchange of currency is determined as per Rule 34 of the CGST Rules, 2017?					
	Whether the rate of tax charged for the supplies is as per the GST rate notifications issued/ amended from time to time?					

	Whether CGST/SGST/IGST is charged in accordance with place of supply provisions?				
	Whether the tax collected from the customers has been entirely remitted to Government?				
	Others if any specify				
13	Place of supply				
	Whether the supply is inter-State/Intra State has been identified based on the policy document of the entity?				
	Whether the conditions for inter-State supply are fulfilled as per IGST Act, 2017?				
	Whether the conditions for intra-State supply are fulfilled as per IGST Act, 2017?				
	Whether the conditions for export of goods are fulfilled?				
	Whether the conditions are fulfilled for export of services?				
	Whether there are any imports of goods/import of services?				
	Whether the Zero-rated supply is with or without payment of taxes?				
	Whether the conditions for location of supplier are fulfilled?				
	Whether the supplier is intermediary under the GST Act and the conditions are fulfilled?				
	Whether the supplier has declared sale in course of Imports, Non-territory supply, High Sea supply in the Return correctly?				

	Whether the conditions for location of the recipient are fulfilled?					
	Whether the wrong payment of tax i.e. IGST in lieu of SGST/CGST is claimed as refund?					
	Whether the wrong payment of tax i.e. SGST/CGST in lieu of IGST is claimed as refund?					
	Whether the Supply by SEZ to DTA is treated as inter-State subject to fulfilment of conditions?					
	Others if any specify					
14	Refund					
	Whether the Supplier is eligible for Refund as per Section 54?					
	Whether the supplier has applied for Refund and whether it is sanctioned?					
	Whether any Refund is Rejected or pending before the Authority?					
	Whether the Refund is Re-credited to Electronic Credit Ledger?					
	Whether the Manual /Electronic documents for Refund are verified?					
	Whether the Accounting impacts are given for Refund applied, pending rejected or appealed?					
	Whether any Refund is wrongly applied like input services/Capital goods credit for inverted duty structure?					
	Whether Refund and Input Tax					

	credit is claimed for the same transactions?					
	Whether interest on delayed refund is receivable?					
	Others if any specify					
15	Inward supply					
	Have you checked the purchase invoice/ delivery challans with purchase register?					
	Have you checked the HSN Classification for inward supplies?					
	Have you checked Inward supply with the Monthly returns?					
	Have you checked whether any input tax is added to the cost of purchase where input tax credit is not allowable?					
	Have you made a list of inward supply invoices for which there are no corresponding entries in inward supply records and GST return?					
	Have you checked that inward supplies are classified between intra-State, inter-State, Imports etc.?					
	Have you checked that purchases of capital goods are booked as fixed assets and the GST is paid thereon? Have you checked Assets which have depreciated 100%?					
	Have you checked sale / deletion of fixed assets?					
	Others if any specify					

16	Maintenance of Books of Accounts				
	Whether books of accounts are maintained as specified in Section 35 r/w Rules 56, 57 and 58 of the GST Law?				
	Whether Books of accounts are maintained electronically / Manually?				
	Whether books of accounts are maintained at each place of business?				
	Whether books of accounts are maintained Manually or Electronically? If the same are maintained Electronically, whether the software used complies with the requirements of the law?				
	Whether the copies of Agreements/Agent agreement and other supporting documents are obtained?				
	Whether copies of the Audited Financial Statements for each registration have been obtained?				
	Whether Transporter/Warehouse keeper has maintained the books of Account as per the law?				
	Whether the Register E-way Bill/Delivery challan is maintained as per the law?				
	Whether E- Way bills are used for Valid purpose?				
	Whether the register of ITC-01, ITC-02, ITC-03 and ITC-04 is maintained as per the GST law?				

	Whether the supplier maintains the Cash/Bank Register for recording the transactions entity wise?				
	Whether the books of Accounts maintained are centralized or decentralized?				
	Others if any- specify				
17	General				
	Whether the registered person has complied with Anti-Profiteering clause?				
	Whether reliance is placed on any notifications / clarifications / advance ruling / judgement in respect of rate of tax charged and collected. Whether any conflicting Advance Ruling order is applicable?				
	Are there any departmental inspection proceedings for Transitional Credits or any other demands created?				
	Have you checked for any adverse points in reports issued by Internal/ Statutory auditors or any other such reports?				
	Have you checked for any adverse points in reports in the previous year?				
	Have you checked that assessment orders / appeal orders/notices issued by the department, if any?				

Is there any judicial pronouncement that could be applicable to the dealer?					
Have you discussed any adverse issues arising out of the audit with the client?					
Have you obtained the letter of appointment / issued the letter of acceptance of audit?					
Have you come across any unusual transactions?					
Have you checked miscellaneous receipts / other income?					
Have you come across any huge or unusual inward or outward supply transactions / tax credits / tax payments etc.?					
Have you noticed any comments on internal controls, periodicity of updating of accounts / records etc.?					
Whether the registered person has availed the facility of digital signature?					
Whether the Auditor has used appropriate Audit tools?					
Others if any – specify					

Place:

Reviewed by - Manager / Partner / Proprietor

Date:

Appendix 4

(Reference - CHAPTER 4 (SECTION I))

Suggested format of Draft letter of management representation to be obtained from the client in respect of each registered person separately viz., State wise / GSTIN wise (suitable modifications may be made as required)**

Dear Sir,

Sub: Draft Letter of Management Representation - GST Audit for the financial year ended March 31, 2018

With reference to the audit conducted by you / your firm*, and as required under the provisions of Section 35(5) and Section 44(2) of the Goods And Service Tax Act, 2017 (In short "GST Act") read with rule 80(3) of the Goods and Service Tax Rules (In short "GST Rules, 2017") for the financial year ended March 31, 2018 we acknowledge our responsibility for the maintenance of books of accounts, related documents, relevant registers in accordance with the requirements of the GST laws and as per the recognized accounting standards and practices as issued by the ICAI.

This letter is provided to you in connection with the conduct of audit by you / your firm* under the GST Laws, and for the purpose of carrying out the attest function in GSTR 9C based on our letter of engagement dated and your acceptance letter dated We confirm to the best of our knowledge and belief that:

I. Place of Business

- a) We do not have other place of business inside the State other than those stated in the Registration Certificate (please ensure that each distinct person is registered separately). We confirm that each of the places of business stated in the said Registration Certificate is duly registered under the GST Laws within the State.

II. Outward Supply

- a) We have not affected any supply of goods or services or both from places other than those declared in the certificate of registration and the returns filed from time to time. All kinds (inter-State and intra-State) of supplies / supply returns* including sale of assets, if any, have been duly classified and properly accounted for in the Outward Supply Register or duly recorded in the appropriate books of accounts. They have been properly reflected in the returns filed under the GST laws.

- b) The Classification of data in respect of B2B and B2C outward supplies have been correctly classified and accounted in our Returns.
- c) The Deemed supply transactions viz., supplies to Related Parties or supplies between distinct entities / distinct persons * are valued as per Valuation Rules.

III. Inward Supply

- a) We have not affected any intra-State, inter-State inward supplies or imports into the State other than those declared in GSTR 9 and GSTR 9C and the returns filed as prescribed. All inward supplies of goods and / or services / inward supply returns including inward supplies of assets, if any, have been duly classified and properly accounted in the relevant register/s. They have been properly reflected in the returns filed from time to time.

IV. Transitional Credits

- a) We have claimed transitional credits as per the provisions of the GST laws.
- b) We confirm that the goods cleared to / by / from * Job workers by way of stock transfers, sale on approvals and supplies to agents have been reconciled with the transactions as declared in Books of Accounts. We have reconciled the data of Trans-1 / Trans-2 with the data as declared in Books of Accounts.
- c) We confirm having complied with the provisions of Section 171 of the CGST Act in respect of Anti-profiteering.

V. Documentation

- a) We confirm that we have issued the E-way bill /Delivery note as per the provisions of the GST law.
- b) We confirm that we have obtained the statutory Forms / declarations like LUT, etc from the GST Authority as per the provisions of the GST law.
- c) During the year, appeals, if any, are filed against the Demand order / Refund Rejected Order* mainly on the ground of and the matter is pending hearing / adjudication* before the appropriate authority.
- d) The Entries in Electronic Liability Ledger, Electronic Credit ledger and Electronic Cash Ledger for the financial year are reconciled with the transactions in Returns and the Books of Accounts.
- e) We have issued the Self-Invoice and payment vouchers in respect of transactions that are liable to tax on reverse charge in case of inward supplies effected from unregistered suppliers.

- f) We have maintained relevant records in respect of goods sent to / received from job workers and correctly accounted for those transactions. We confirm that all goods sent to job workers have been received back within the timelines prescribed.
- g) We have not raised any tax invoices or supply bills other than the series reported in the supply ledgers. However, in respect of deemed supply, Advances, the Invoice series differ and are duly accounted.
- h) We confirm we have maintained appropriate stock records as required under the GST laws.
- i) We have issued only ONE ORIGINAL Tax Invoice / Bill of Supply / Debit Note or credit Note as the case may be, and all other copies are marked as DUPLICATE / TRIPLICATE etc.,
- j) We have prepared the monthly returns based on the books of accounts maintained. The copies of the returns filed with the authorities were submitted / furnished to you for the purpose of your GST audit.
- k) We confirm that the relevant registers relating to Form _____ etc have not been produced to you for your verification and report.

VI. Classification

- a) We have classified the goods/Services supplied by our concern and charged the rate of tax, in accordance with the applicable schedules and/ or notifications/ Advance Rulings etc., under the GST Act 2017.
- b) We confirm that we have correctly classified the activities as supply of goods and / or supply of services as per Second Schedule of GST law.
- c) The turnovers of inward and outward supplies relating to classification of goods and / or services based on HSN affected by us and as shown on the invoices, books and records and in the financial statement are correct.
- d) During the year, application for Advance Ruling has been sought and the same is pending before the Authority.

VII. Reconciliation

- a) We understand that reconciliation of data provided to you based on the books and records, returns, relevant registers etc., have been matched with financials and relevant returns filed by us from time to time in terms of the GST laws. We reiterate and confirm that in respect of auditors appointed by us to carry out the attest function under the GST Laws in respect of other States / Union Territories have been provided the relevant data from the very same books and records maintained by us. We confirm that the inward and outward supplies including non-GST transactions, deemed supplies (transactions

without consideration) and such other transactions have been duly consolidated and matched with the financials.

- b) We confirm that we have internally derived the turnover from the Audited financial statement in case of Multi GSTIN units under same PAN and reconciled the total turnover as arrived in 5A of Form GSTR 9C.
- c) We have taken adequate care to reconcile the data with books, records and financial statements in respect of the first quarter of the financial year 2017-18 since; such data relates to the erstwhile indirect tax laws.

VIII. Input Tax Credit

- a) We have paid CGST / SGST and IGST as per GST laws. In case of wrong payment or wrong declaration, we have repaid the correct taxes and claimed refund of the wrong payment of taxes.
- b) We confirm that we have not availed input tax credits in respect of inward supplies affected by us where we have not paid the supplier within a period of 180 days in terms of proviso to Section 16(2) of the CGST Act. In such of those cases where we have availed input tax credits we confirm we have reversed such credits incorrectly availed together with interest.
- c) None of the goods on which we have claimed input credit are subsequently lost or destroyed or disposed of by way of gift, free samples, etc., requiring reversal of input credit and we understand the responsibility of preservation of various documents under the GST Act.
- d) We confirm that we have not taken any input tax credit in respect of goods/Services restricted in terms of Section 17(5) of the CGST Act
- e) We confirm that we have availed input tax credits in line with the law laid down in terms of Section 49 of the CGST Act.
- f) In respect of inward supplies of goods and / or services we confirm we have not expensed the taxes and claimed input tax credit of the very same transactions.
- g) During the year, we have not affected any inward supplies from unregistered persons other than those supported by valid self-purchase bills / Payment Vouchers declared in GSTR 9C and the returns filed. Input tax credit for GST paid / payable on Inward supplies affected from such unregistered suppliers (up to 12th October 2017) has been availed in terms of the GST laws.
- h) We have claimed input tax credit on the following basis on fulfilment of the relevant conditions stipulated under the relevant provisions of the GST laws

- i) We confirm that input tax credit availed by us are in respect of use in course or furtherance of business.
- j) We are in possession of all the original tax invoices of inward / outward supplies. We confirm having produced such original invoices for your verification during the course of your audit proceedings. We reiterate that we have availed input tax credits based on such original invoices relating to inward supplies.
- k) We have verified the calculations for reversal of credits as applicable under rule 37, 42 and 43 as at the end of the year.

IX. General

- a) The accounting policies adopted by us are set out and elaborated in Notes to Accounts attached to the financial statements.
- b) None of the business premises were a subject matter of inspection by GST Department Officers during the year.
- c) We confirm that we have adhered to the provisions relating to time of supply of goods and time of supply of services in terms of Section 12 and Section 13 of the GST Act, 2017. We confirm we have furnished to you / your firm a policy document in respect of time and place of supply of goods and / or services.
- d) We confirm and reiterate that while we have our books and records in compliance with the applicable statutes. We are in/not in a position to furnish the State-wise financial Statements for review / audit purposes.
- e) In respect of certain transactions on which the valuation Rules stand applicable under the GST laws we confirm that such transactions have been recorded in the books and records appropriately while reiterating that such valuations would not stand to scrutiny under other Statutes.
- f) We have noted the observations made in by you / your firm during the course of your audit and we hereby confirm that we shall be solely responsible for the impact, if any, on our tax liability by virtue of such observations.
- g) We certify that the following statements, among others, submitted to you to be true and correct:
 - i) Statement of monthly summaries of outward supplies and Inward supplies (with tax analysis);
 - ii) Statement of debit note and credit note as also journal entries (with tax analysis);
 - iii) Statement of goods received inside the State and sent outside the State;
 - iv) Outward Supplies and Inward supplies of fixed assets;

- v) Details of Other income / Miscellaneous income;
- vi) Details of expenses on which input tax credit is claimed together with tax analysis thereof;
- vii) Reconciliation of outward supply and Inward supply with ledger.

The word “certify” or “true and correct” indicate absolute level of assurance expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures considered appropriate to reduce the engagement risk to zero.

For

Partner / Proprietor / Director / Authorized Signatory

Note:

*Strike out whichever is not applicable

**Attention of the readers is invited to the fact that the suggested format of the management representation is only illustrative. There could be several issues that may not have been covered in the same which may warrant suitable inclusions or exclusions or may even warrant issue of a separate management representation / certificate. The reader is required to make suitable modifications / corrections in respect of the format suggested supra based on the facts and surrounding circumstances of each case under audit.

Appendix 5

Abbreviations

Sl. No	Abbreviations	Terms and abbreviations used
1.	AS	Accounting Standard
2.	Cess	GST Compensation Cess
3.	CGST	Central Goods and Services Tax
4.	CN	Credit Note
5.	COE	Code Of Ethics
6.	CST	Central Sales Tax
7.	CTD	Commercial Tax Department
8.	CTP	Casual taxable Person
9.	DC	Delivery Challan
10.	DE	Deemed Export
11.	DN	Debit Note
12.	DTA	Domestic Tariff Area
13.	EOU	Export Oriented Undertaking
14.	E-Way bill	Electronic way bill
15.	FE	Fixed Establishment
16.	FIRC	Foreign Inward Remittance Certificate
17.	GST	Goods and Services Tax
18.	GSTIN	Goods and Services Tax Identification Number
19.	GSTR	Goods and Services Tax Return
20.	HSN	Harmonised System of Nomenclature
21.	ICAI	Institute of Chartered Accountants of India
22.	ICWA	Institute of Cost & Works Accountant of India
23.	IGST	Integrated Goods and Services Tax
24.	IS	Inward Supply
25.	ISD	Input Services Distributor
26.	ITC	Input Tax Credit

27.	LOR	Location of Recipient
28.	LOS	Location of Supplier
29.	LR	Lorry Receipts
30.	LUT	Letter of Undertaking
31.	MRP	Maximum Retail Price
32.	NR	Non-Resident
33.	OIDAR	Online Information Database Access & Retrieval
34.	OPT	Output Tax
35.	OS	Outward Supply
36.	PAN	Permanent Account Number
37.	PT / KTPTCE Act, 1976	Professional Tax / Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976
38.	RC	Reverse Charge
39.	RP	Registered Person
40.	SA	Standards on Auditing
41.	SAC	Services Accounting Code
42.	SEZ	Special Economic Zone
43.	SGST	State Goods and Services Tax
44.	SMC	Small and Medium Sized Companies
45.	TCS	Tax Collected at Source
46.	TDS	Tax Deducted at Source
47.	UQC	Unit Quantity Code
48.	URD / URP	Unregistered Dealer / Unregistered Person
49.	UT	Union Territory
50.	UTGST	Union Territory Goods and Services Tax
51.	VAT	Value Added Tax