

**J B NAGAR STUDY CIRCLE**

**Analysis of GST Audit Report  
in Form GSTR 9C, Duties and  
Responsibilities of Auditor**

**BY CA VIKRAM MEHTA**

# AUDIT

- Section 2(13): “Audit” means:
  - the examination of **records, returns and other documents** maintained or furnished by the registered person under this Act or 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.
- Audit is designed to reduce the possibility of a material misstatement in the financial statement of any entity not being detected.
- This the first time that any taxation enactment has defined the term “Audit”. It cast a great responsibility on the auditor who is doing the audit as per GST law as he has to be compliant to the audit definition.

# AUDIT

- Whether test check audit will still hold the ground or it will be a certification audit?
- ❖ **Certification - where GSTR-9C is drawn up by the person who has conducted the Audit**
- ❖ **Certification - where GSTR-9C is drawn up by a person other than the person who has conducted the audit of the accounts.**

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 No.9C are true and correct subject to the following observations/qualifications, if any:



**TYPES OF GST  
AUDIT**

**AUDIT DONE BY  
CHARTERED  
ACCOUNTANT OR COST  
ACCOUNTANT/COMPULSO  
RY AUDIT**

**AUDIT DONE BY TAX  
AUTHORITIES**

**SPECIAL AUDIT**

# Section 35(5) – Provision Mandating GST Audit

- 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**
- Shall submit a copy of:
  - **Audited annual accounts**
  - **Reconciliation statement u/s 44(2); and**
  - **Other documents**
  - In prescribed form and manner
- **It is the registered person's (auditee's) responsibility to submit prescribed documents and not that of the auditor**

# Rule 80(3) – Relevant Rule for GST Audit

- Every registered person whose “**aggregate turnover**” during a financial year **exceeds Rupees Two Crores** shall get his accounts audited as specified in Section 35(5) of the Act
  
- He shall furnish copy of :
  - **Audited annual accounts; and**
  
  - A reconciliation statement duly certified in **Form GSTR – 9C**
    - **Electronically** through the common portal either directly or through Facilitation Centre notified by the Commissioner

# AMENDED Section 35. Accounts and other records:

- Amended so as to provide that any Department of the Central or State Government or local authority which is subject to audit by the Comptroller and Auditor-General of India need not get their books of account audited by any Chartered Accountant or Cost Accountant.
- Newly inserted proviso  
**“Provided that nothing contained in this sub-section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.”.**

# Section 44(2) – Submission of Audit Report

- **Every registered person required to get his accounts audited under Provisions of Section 35(5)**
  - Shall furnish electronically, the **annual return (“AR”)**
  - along with **audited annual accounts**; and
  - a reconciliation statement, reconciling value of supplies declared in a return furnished for the financial year with the **audited annual financial statements**; and
  - Such other particulars as may be prescribed
  
- **Issue – Casual taxable person and non resident taxable person is obliged to get their account audited if turnover exceeds prescribed limit. However, they are not required to file AR. The audit in Form 9C means reconciliation of AR with audited accounts. Whether audit is necessary under this situation?**

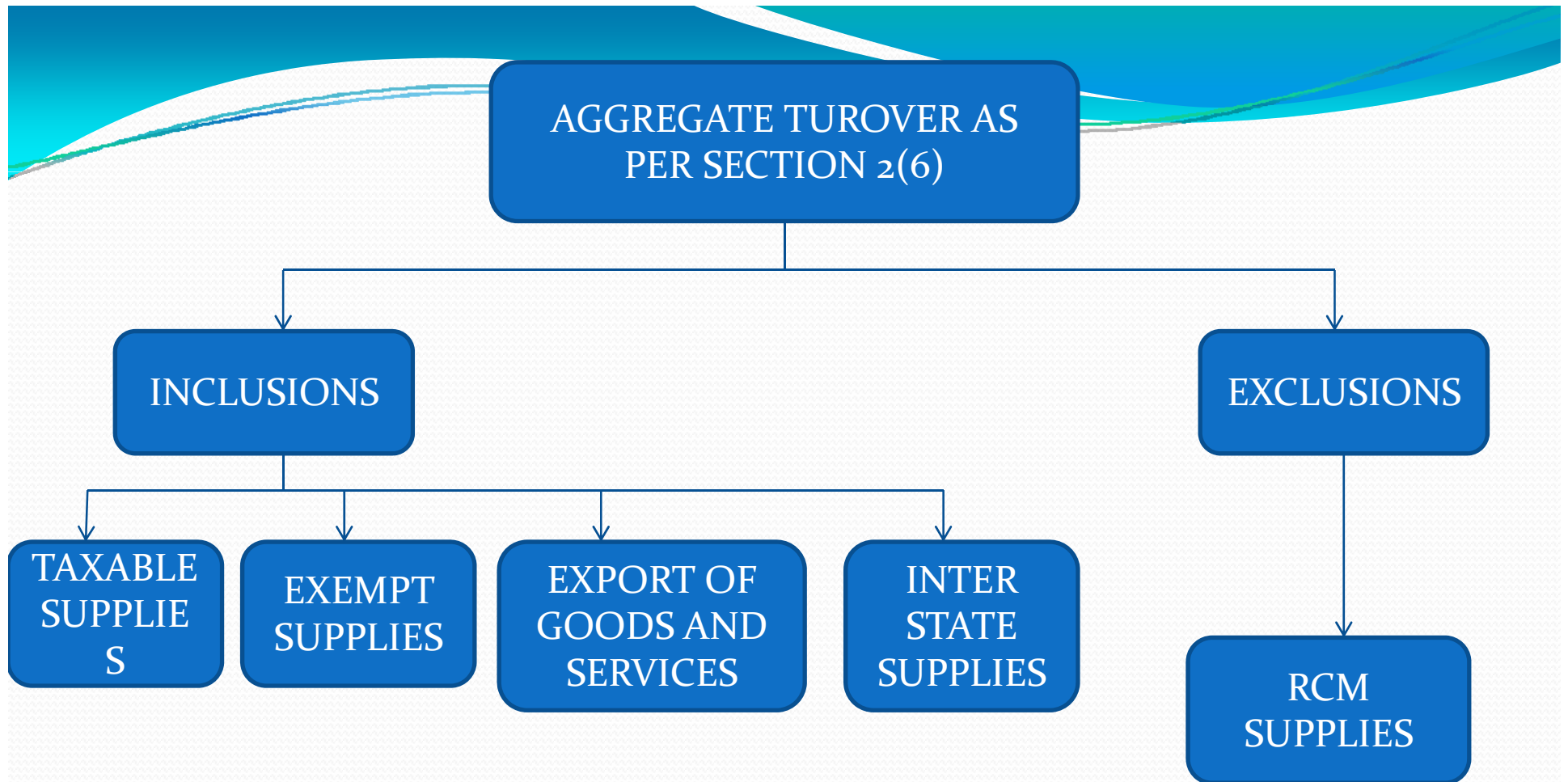


# AUDIT..QUA PAN OR QUA GST NO.

- 2(6) “**aggregate turnover**” as per GST means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons **having the same Permanent Account Number**, to be **computed on all India basis** but excludes central tax, State tax, Union territory tax, integrated tax and cess.
- As per Section 2(112) of the Central Goods and Services Tax (CGST) Act, 2017, unless the context otherwise requires, the term “**turnover in State**” or “**turnover in Union territory**” means the **aggregate value of all taxable supplies** (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess.

# DETERMINATION OF TURNOVER

- GST law speaks of Financial year i.e. 2017-18 – April 2017 to March 2018 – But GST was introduced w.e.f 1-7-2017.
- For the quarter April to June 2017 old laws applied till 30-6-2017. How one should compute the turnover for said quarter – **to avoid litigation Rule 80(3) must provide 1.5 crores turnover limit for 9 months ending March 2018.**
- Air Travel Agent books income in FS at sale value of tickets whereas pays GST on basic fare then value for the purpose of determining turnover limit of 2 Crore should be ticket sale value or basic fare value on which GST is paid?
- For turnover to be derived State-wise, whether Audited figures State-wise should be obtained or MR(Management Representation) will do?
- In respect of cash system of accounting which turnover to disclose? And which turnover will be taken for the purpose of determination of audit?



**Section 2(6) of CGST Act: Definition of “Aggregate Turnover”**

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

# Outward Supplies

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graph LR; A[Outward Supplies] --- B[Local Supply/ Supply to Business Vertical]; A --- C[Inter-state Supply/ Supplies to Branches]; A --- D[Free Supplies]; A --- E[Highsea Supply]; A --- F[Supply from Bonded Warehouse]; A --- G[Export Supply/Deemed Exports/Merchant Exports]; A --- H[SEZ Supply]; A --- I[Job Work/Sale on Approval/Out & Out supply];
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Local Supply/ Supply to Business Vertical

Inter-state Supply/ Supplies to Branches

Free Supplies

Highsea Supply

Supply from Bonded Warehouse

Export Supply/Deemed Exports/Merchant Exports

SEZ Supply

Job Work/Sale on Approval/Out & Out supply

# AMENDMENT IN GSTR 9

PART	DESCRIPTION		TABLES	DESCRIPTION	
	INITIAL FORM	AMENDED FORM		INITIAL FORM	AMENDED FORM
II	Details of Outward and inward supplies declared during the financial year	Details of Outward and inward supplies <del>declared</del> made during the financial year	4	Details of advances, inward and outward supplies on which tax is payable as declared in returns filed during the financial year	Details of advances, inward and outward supplies as <del>declared in returns filed</del> made during the financial year on which tax is payable
			5	Details of Outward supplies on which tax is not payable as declared in returns filed during the financial year	Details of Outward supplies as <del>declared in returns filed</del> made during the financial year on which tax is not payable

# REVISED ANNUAL RETURN GSTR-9 & RECONCILIATION STATEMENT GSTR-9C

## ❖ Instructions of Revised GSTR-9:

- No. 3 – It may be noted that additional liability for the FY 2017-18 not declared in FORM GSTR-1 and FORM GSTR-3B may be declared in this return. However, taxpayers cannot claim input tax credit unclaimed during FY 2017-18 through this return.
- No. 9 – 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 “Annual Return” in the drop down provided in FORM DRC-03. It may be noted that such liability can be paid through electronic cash ledger only.

## ❖ Instructions of Revised GSTR-9C (Reconciliation Statement):

- No. 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 can be paid through electronic cash ledger only.

# 9C

**“FORM GSTR-9C**  
See rule 80(3)  
**PART – A - Reconciliation Statement**

**PART - B- CERTIFICATION**

## GSTR – 9C OVERVIEW PART B – CERTIFICATION

### I. Certification - where GSTR-9C is drawn up by the person who has conducted the Audit

1. Examination of B/S, P&L A/c. & Cash Flow Statement

2. Based on Audit, it is to be reported as to whether BOAs, records & documentations as required under GST Law are maintained or not maintained

3(a). Report on observations/comments/discrepancies/inconsistencies; if any

3(b). Report on;

(A) All the information & explanations are obtained

(B) Proper BOAs have/have not been kept

(C) Certify that B/S, P&L A/c. & CFS are in agreement/not in agreement with BOAs maintained at PPOB / APOB

### II. Certification - where GSTR-9C is drawn up by a person other than the person who has conducted the audit of the accounts

1. Report that Audit is carried out by whom and Annex the Audit Report with B/S, P&L A/c. & Cash Flow Statement

2. Report as to whether BOAs, records & documentations as required under GST Law are maintained or not maintained





## Accounts & Records under GST

- Production or Manufacture of Goods
- Inward or Outward Supply of Goods / Services
- Stock of Goods
- Input Tax Credit Availed
- Output Tax Payable / Paid
- Other Particulars like invoices, bill of supply, debit/credit notes, delivery challans, payment, receipt vouchers, e-waybills, etc. as may be prescribed–Rule 56 of GST (Accounts & Records) Rules
- Submit a copy of audited accounts
- Submit Reconciliation statement u/s 44



# STOCK RECORD

- Rule 56(2) states as under;  
(2) Every registered person, other than a person paying tax under section 10, *shall maintain the accounts of stock* in respect of goods received and supplied by him, and such accounts shall contain particulars of the **opening balance, receipt, supply**, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the **balance of stock** including raw materials, finished goods, scrap and wastage thereof.
- **Whether Stock Records are to be maintained compulsorily or still an option is there to say day to day stock records not maintained?**

# CASE STUDY

- A proprietary business “X” has a turnover of Rs 1,80,00,000 as per profit and loss account and pays income tax as per provisions of sec 44AD presumptive taxation
- Under GST there being a branch transfer the turnover exceeds Rs 2 crores therefore GST audit will become liable.
- Which part of the certification shall be filled up for the purpose of GST audit?
- *There is no legal requirement for cash flow statement. Whether for the purpose of GST audit, the auditee will have to prepare a cash flow statement and whether the auditor shall have to verify the cash flow statement?*

# Issues

Books of Accounts  
Must tally with the  
ledgers maintained  
with GSTN on real  
time basis

Electronic Cash Ledger  
[GST PMT - 05]

Electronic Credit Ledger  
[GST PMT - 02]

Electronic Tax Liability  
Ledger [GST PMT - 01]

# Outward Supplies

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graph LR; A[Outward Supplies] --- B[Local Supply]; A --- C[Inter-state Supply]; A --- D[Free Supplies]; A --- E[Highsea Supply]; A --- F[Supply from Bonded Warehouse]; A --- G[Export Supply/Deemed Exports/Merchant Exports]; A --- H[SEZ Supply]; A --- I[Job Work/Sale on Approval/Out & Out supply];
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Local Supply

Inter-state Supply

Free Supplies

Highsea Supply

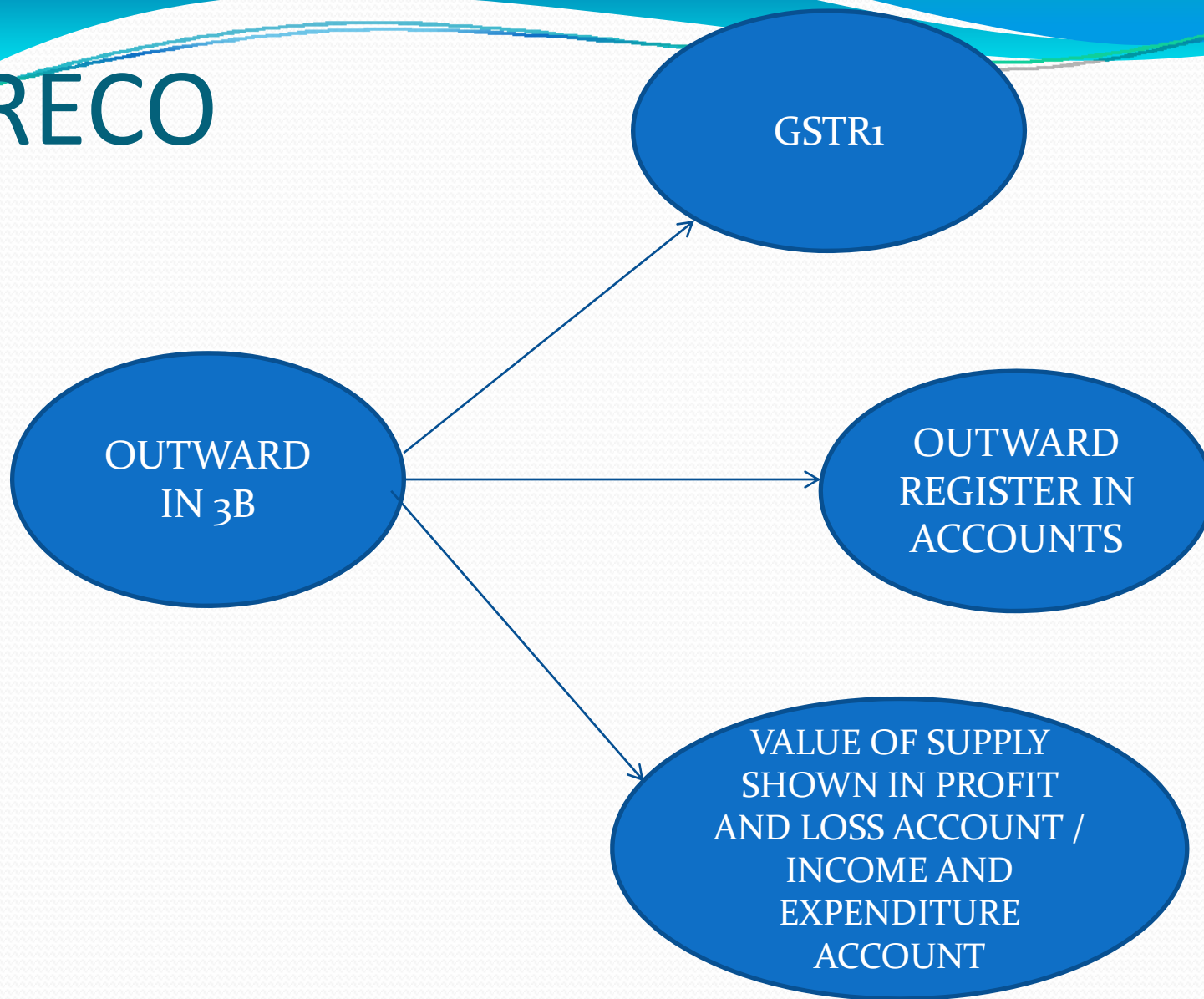
Supply from Bonded  
Warehouse

Export Supply/Deemed  
Exports/Merchant  
Exports

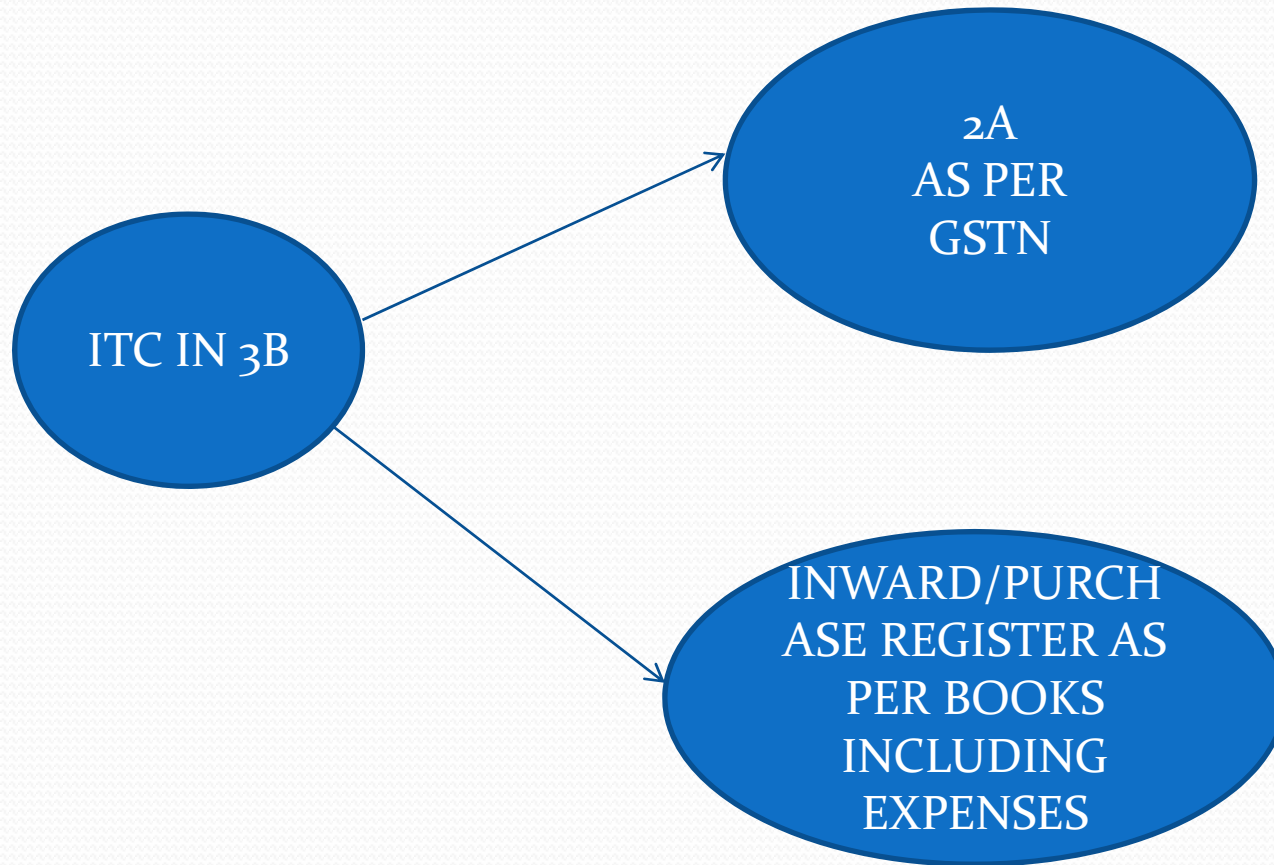
SEZ Supply

Job Work/Sale on  
Approval/Out & Out  
supply

# RECO



# RECO





# OTHER CHECKS

Checks for

- Rate Classification/ Rate Check/ HSN
- Schedule I entries, barter exchange, free supply, Job work, sale on approval
- Exempt Supplies
- Non GST Supply
- Credit notes/Debit notes
- Other Income/Miscellaneous Income
- Credits in Expense Head
- Classification of Inward into Inputs, Input Service and Capital Goods



# FORM 9C

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	(+)	

ADVANCES ON WHICH GST PAID BUT INVOICE NOT RAISED SO FAR

ONLY IF THERE IN ACCOUNTS???

SITUATIONS???

F	Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST	(+)	<p>WHETHER INCLUDES ONLY TRADE DISCOUNTS OR ALL OTHER DISCOUNTS</p> <p>DIFF. BETWEEN F AND J</p> <p>NOT ALLOWED AND NON GST CREDIT NOTES (OTHER THAN DISCOUNTS?)</p> <p>PACKING AND TRANSPORTATION SEPARATELY SHOWN ON THE INVOICE AND BOOKED SEPARATELY IN ACCOUNTS</p>
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	(+/-) )	

CAN BE USED FOR RECONCILIATION OF PERSONS FOLLOWING CASH SYSTEM

ALL ADJUSTMENTS OTHER THAN SPECIFICALLY MENTIONED ABOVE (BALANCING FIGURE)???



# PART A – RECONCILIATION STATEMENT

## **As per ICAI Technical Guide**

↳ 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.

- **Whether Auditor should carry out the separate exercise to check the correctness of unbilled revenue as disclosed in FS, based on Time of Supply provisions?**

# PART A – RECONCILIATION STATEMENT

- ➡ **Table No. 5G**
- ↪ Turnover from April 2017 to June 2017 (-).
- ↪ **Instructions** – Turnover included in the audited Annual Financial Statement for April 2017 to June 2017 shall be declared here.
- **ICAI Technical Guide: Page 302**
  - ↪ 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.



# PART A – RECONCILIATION STATEMENT

- ⇒ **ICAI Technical Guide (Pg. 325)** – 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 “Adjustments in turnover due to reasons not listed above” and
- ⇒ Sl. No. 6 of GSTR 9C “Reasons for un reconciled difference in Annual Gross Turnover”.
- ⇒ 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 9C 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 9C.



## S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

- A: Turnover (including exports) as per Audited Financial Statement for the State / UT (For multi-GSTIN units under same PAN, the turnover shall as be derived from the Audited Annual Financial Statements) Instruction No. 5A
- Issues: A company has 3 registrations in Maharashtra and one in Gujarat. The turnover of the three registrations in MH does not exceeds the limit. The turnover of all the four registrations exceeds the limit. Whether GST audit needs to be done in MH and Gujarat?
- In the above situation how will the turnover be derived from the annual financials statement in MH?
- Where branch auditor are different then statutory auditor then whether the auditor will rely on branch auditor or will himself re-derive the turnover?
- Whether the turnover of the operations are to be taken or other income is also to be considered for the purpose of derived turnover as per financials?



## S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

- B: Unbilled revenue at the beginning of the Financial Year Instruction No. 5B (add)
- Issues: Whether unbilled revenue as on 31<sup>st</sup> March, 2017 or 30<sup>th</sup> June, 2017 has to be reported?
- Whether unbilled revenue includes provision for income? AS 9, AS18 and AS7
  
- H: Unbilled revenue at the end of the Financial Year Instruction No. 5H: (less)
- For eg.: Rent Income booked in the month of March 2019 on accrual system of accounting but invoice raised in April 2019.



**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- C: Unadjusted advances at the end of the Financial Year Instruction No. C (add)
- Unadjusted advances to be reported would be pertaining to goods or services only and not in respect of financial advances.
- Issues Whether Unadjusted advances pertaining to services only has to be reported ?
- Whether advances pertaining to exempt services will also have to be reported?
- I: Unadjusted Advances as at the beginning of the Financial Year (reduced)





**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- D: Deemed Supply under Schedule I Instruction No. 5D
- Verifications for identification of deemed supply:  
Transfer of P & M or other assets from one branch to another.
- Benefits derived from associated enterprises – confirmation of accounts.
- Gifts to employees / perquisite to employees / credits in salary account.



## S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

- E: Credit Notes issued after the end of the financial year but reflected in the annual return
- The law being new various kind of errors may have happened while filing of gst returns. For eg., while filing GSTR 1 a particular supply has been booked twice, although in books it is only once. The mistake having been recognised credit note pertaining to 17-18 is passed in April 18 cancelling one of the two invoices. Such credit notes will be covered in annual return but has no effect in books – problem?
- J: Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST: Credit notes against taxable supplies which are not allowable are to be reported. Credit notes for exempted supplies, SEZ, exports should not be reported in this clause.



**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- F: Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST
- Whether trade discount includes all kinds of discount?
- Correct interpretation would be discount accounted in the audited financial statements not allowable as per Section 15 (3).
- Whether confirmation letter of reversal of credit should be obtained by auditor?
- Consequently Section 16 (2) to be verified?



# ISSUES

- **Treatment of discounts reduction in sale price**

Consider a situation where a distributor of mobiles receives a credit note for rate difference without GST

Whether GST will be payable on such credit notes treating it as a separate supply? Since in accounts on credit side of P/L there is an amount shown as rate difference.

**GST WITH CREDIT NOTE AND WITHOUT CREDIT NOTE. IMPACT ON LIABILITY IN ACCOUNTS ( CIRCULAR No 92/11/2019-GST DATED 7 MARCH 2019)**



# ISSUES

- Buy 1 get 1 free clarified in circular
- What about supply of tea and container free? Whether supply of free container requires reversal of credit?
- Credit note passed for tax charged @ 18% instead of 12%. How to show such credit notes where there is no change in net value?

Credit notes not in books but passed only to show correct liability in return as per books



**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- K: Adjustments on account of supply of goods by SEZ units to DTA Units:
- Situation: SEZ unit supplies to DTA unit and where DTA unit is required to pay IGST on the transaction as part of inward supply, such case would be reported since such transactions are not reported by the SEZ unit in its GST returns.



**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- L: Turnover for the period under composition scheme
- Situation: The turnover limit initially was only rs 50 lakhs subsequently the limit was enhanced to rs 1 crore. Dealers who opted for composition due to enhancement of turnover limit will have to report the composition turnover under this head



## S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)

- M: Adjustments in turnover under section 15 and rules thereunder
- Situation: all kinds of reimbursements where tax has not been charged needs to be verified. In fact the entire turnover of the business needs to be first classified into tax charged and tax not charged turnover subsequently analysis of tax not charged turnover will have to be done to identify taxable turnover on which tax is not charged.
- Similarly, items in tax invoice on which tax is not charged needs to be identified to verify the provisions of sec 15.





**S.No. 5: Pt. II. Reconciliation of turnover declared in audited Annual Financial Statement with turnover declared in Annual Return (GSTR9)**

- O: Adjustment in Turnover due to reasons not listed above
- Situation: Dealers following cash system of accounting will have to report the difference in turnover as per books kept on cash basis and returns filed on the billings done basis (mercantile).
- ALL ADJUSTMENTS OTHER THAN SPECIFICALLY MENTIONED ABOVE(BALANCING FIGURE)???



# ISSUES

- The consequences of changes in rates from time to time where the implementation of the rate reduction is done from a subsequent date. (In some cases, from the date of press release) Book Printing – Content provided is Service not sale of book..rate..? Liability on transactions prior to clarification....
- HSN/SAC Classification issues and its consequences ON ACCOUNTS.
- REVERSE CHARGE U/S 9(3) 9(4)----- correctly paid /not paid /short paid
- Cross charge.....
- Liability on advances



# Issues in Outward Supplies

- Whether the determination of supply into a composite supply or a mix supply as determined by the dealer has to be accepted or whether any difference of opinion on the same should be reported.
- Supply of free samples with payment of GST
- The Decisions of AR (Advance Ruling) Authority has to be considered in Principle or to be ignored as the same is applicable only to the concerned dealer. Similarly, advisories issued in form of Press notes/circulars should be considered sacrosanct and followed or the dealer to be given an option to take a contrary view and whether the Auditor needs to report such contrary stands taken.



# Issues in Outward Supplies

- As per proviso to Rule 28 “Where the recipient is eligible for full Input Tax Credit, the value declared in Invoices shall be deemed to be Open Market Value.” In such an eventuality, whether the Auditor can simply take a declaration from the dealer and do not need to check the valuation part?
- The valuation of a transaction is subject to lot of interpretation, especially with respect to Section 15(2) and 15(3). Whether the Auditor needs to accept the valuation or any contrary view needs to be reported. Further, interpretation of Rule 35 also can be an issue especially with respect to **B2C** transactions.



## Issues contd...

- The provisions of sec 5 of the IGST Act, when read with the Customs Act, it is an accepted preposition that IGST shall be paid only at the time of clearance of goods from the customs authority, In such an eventuality, the supply of Highseas Sales should be treated as Taxable Supply or Exempt supply?
- Sale from bonded warehouse taxable supply or exempt supply?
- Circular no. 46/2017 dated 24-11-2017 vs. Circular no. 3/1/2018-IGST dated 25-5-2018( Supply from Bonded Warehouse



## Issues contd...

- Exports done without LUT and without IGST (CIRCULAR NO 37/11/2018-GST MAR 18)
- Supply to export house @ 0.1% satisfaction of conditions
- Supply as deemed exports.....compliance
- Supply to SEZ with IGST
- Supply of free samples with payment of GST
- Interest penalties recovered from vendors



IV		
12	<b>Reconciliation of Net Input Tax Credit (ITC)</b>	
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	<b>Reasons for un-reconciled difference in ITC</b>	
A	Reason 1	<<Text>>
B	Reason 2	<<Text>>
C	Reason 3	<<Text>>

## ISSUES:


- Bifurcation of ITC into CGST SGST AND IGST not required?
- ITC as per annual return allowable to be verified by the auditor as per clause 14 after bifurcation as listed in 14.
- 14F seeks information of ITC not allowable whether it is compulsory to first take all ITC and then reverse?




## 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) Instruction No. 12A
- In case of multiple GSTN the ITC shall have to be derived of the GSTN of which we are auditing.
- Issue: Whether gross ITC prior to reversals have to be taken or net?



- 
- 12B: ITC booked in earlier Financial Years claimed in current Financial Year
  - The clause pertains to reporting of transitional credits of TRANS 1 and TRANS 2.
  
  - 12C: ITC booked in current Financial Year to be claimed in subsequent Financial Years:
  - For eg.: Goods which are in transit as at the close of financial year and which are received in the next year

- 
- 12D: ITC availed as per audited financial statements or books of accounts (A + B - C): Auto calculated.
  - 12E: ITC claimed in Annual Return (GSTR9): ITC as declared in Table 7J of Annual Return (GSTR 9).
  - 12F: Un-reconciled ITC (E-D): This can be
  - ITC claimed in Form 3B and same ITC claimed as expenses in P&L Account.
  - ITC claimed twice in Form 3B.



## **14: Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account**

- There is a list of expenses incurred by the registered person which can be inputs, capital goods, input services or others. Clause 14 is the reconciliation between ITC as declared in GSTR 9 and expense ITC booked in the audited financial statements.
- These are only indicative list of heads and one can add or delete any of these heads.

14 Reconciliation of ITC declared in Annual Return (GSTR9) with ITC availed on expenses as per audited Annual Financial Statement or books of account				
S.No	Description	Value (₹)	Amount of Total ITC (₹)	Amount of eligible ITC availed (₹)
A	Purchases			
B	Freight / Carriage			
C	Power and Fuel Costs			
D	Imported goods (Including received from SEZ)			
E	Rent and Insurance Expense			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employee's 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 (A to Q)*			
S	ITC claimed in Annual Return (GSTR9)*			
T	<b>Un-reconciled ITC (S-R)*</b>			

# Sections and Rules relating to ITC:

- ITC includes RCM and IGST charged on import of goods

Description	Section	Rules
Eligibility and conditions for taking ITC	16	36, 37
Apportionment of credit and blocked credits	17	38, 42, 43
Availability of credit in special circumstances	18	40, 41, 44
ITC in respect of inputs and capital goods sent for job work	19	45
Distribution of credit by ISD and recovery of credit distributed in excess	20, 21	39

# Common Checks

- No ITC if depreciation is claimed on GST part
- Reversal of ITC if the recipient fails to pay the invoice value to the supplier within 180 days from the date of issue of invoice.
- ITC can be further divided into Apportionment of credit and Blocked Credits.

Section	Description
17(1)	Apportionment of credit between business & non business use.
17(2)	Apportionment of credit between taxable including zero rated and exempt supplies.
17(3)	Determination of value of exempt supply for section 17(2)
17(4)	Scheme for banking/nbfc/financial institution to avail ITC
17(5)	Blocked Credits / Negative List of Goods / Services
17(6)	



## Clause 14 contd..

- The difference between Total ITC and Eligible ITC is Ineligible ITC as identified by the auditor and appropriate disclosures should be made in the certificate by the auditor.
- In Part V of Form GSTR 9C additional liability arising on account of non-reconciliation of ITC has to be remitted in cash. As per Notification No. 74/ 2018-Central Tax, dated 31st December, 2018, additional liability can be paid through FORM DRC-03 by utilizing cash ledger only.



# Issues in Inward Supplies

- Classification of credit
  - ❖ Fully allowable
  - ❖ Fully disallowable
  - ❖ Common credit
- Proportionate Credit working per Rule 42.
- ISD credit impact and verifications
- IGST On imported goods vs. IGST on icegate Portal (Identification of IGST from payment made to custom authorities)
- Creditors for more than 180 days sec16(2)..... reversals
- ITC Prepaid expenses



# Issues in Inward Supplies

- We have not taken credit of gst charged by kotak bank .The bank charges have been debited to the profit and loss account. Can we take the credit?
- Tax liability of Rs. 100/-, ITC available Rs. 80/- and tax payable in cash Rs. 20/-. Assessee has made delayed payment of tax and paid interest on Rs. 20/- as he is of the view that since ITC is available he is not required to pay interest on Rs. 80/-.

(Press release 22<sup>nd</sup> December,2018)

- The bank does not issue tax invoice and only document available is debit voucher of bank.



# Issues in Inward Supplies

- A company has left out certain bills of FY 17-18 and have booked in FY 18-19. Some of the bills booked in FY 18-19 are more than one year from the date of invoice.
- Whether credit will be allowed in FY 18-19.
- Whether the answer would differ if the bill amount is standing as advance in the books of account of FY 17-18
- Section 16(4):
- A registered person shall not be entitled to take input tax credit in respect of any
- invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39
- for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or
- furnishing of the relevant annual return, whichever is earlier.

# ISSUES

- Exempt supply” means 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
- Resident welfare association(RWA) paying GST after deduction up to Rs.7500. whether proportionate credit for deduction of Rs.7500 to be reduced considering above definition.
- ITC on CSR expenses – deemed to be non-business as per CSR Rules
- Verification of exempt values pertaining to sale of investments and sale of land & building explanation to chapter V-- ITC.
- Verification of reversal on capital goods as per rule 44....capital goods includes plant and machinery as defined in sec 17/18(6).

# CASE STUDY

- An outward supply taxable @ 18% of the amount of Rs.5,00,000 has not been declared in 3B as well as GSTR 1.
- An inward supply of taxable value Rs 1,00,000 taxable @ 18% has not been declared in 3B

On the basis of the new instructions no. 3 in revised GSTR 9 (read with ROD 2) how the same will be shown in GSTR 9, since the turnover as shown in GSTR 9 will be compared with books and reco in form 9C shall be made in GST audit.

Any Questions?





*Thank  
You!*

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