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# ACCOUNTS, RECORDS AND GST AUDIT

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# STATUTORY PROVISIONS

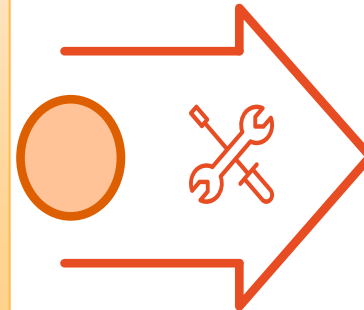
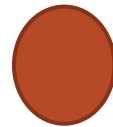
# RELEVANT PROVISIONS...



## **Section 35 (1) read with Rule 56 (1)**

***Every registered person shall keep and maintain, all the relevant documents such as***

- ***invoices,***
- ***bills of supply,***
- ***delivery challans,***
- ***credit notes,***
- ***debit notes,***
- ***receipt vouchers,***
- ***payment vouchers***
- ***and refund vouchers***



# ...RELEVANT PROVISIONS...



## **Section 2(13) of CGST Act**

*“audit” means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of*

- *turnover declared,*
- *taxes paid,*
- *refund claimed and*
- *input tax credit availed,*
- *and to assess his compliance with the provisions of this Act or the rules made thereunder”*

# ...RELEVANT PROVISIONS

## Section 35 (5) of CGST Act

*“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.”*

## Rule 80(3) of 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 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*



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# APPLICABILITY AND PENAL CONSEQUENCES

# APPLICABILITY ???



## APPLICABILITY

Turnover viz-a-viz  
Aggregate Turnover

Section 35(5) - Turnover

Rule 80 – Aggregate Turnover

Turnover

Books of accounts

GST Return

Financial Year

April 2017 – March 2018

July 2017 – March 2018

# PENAL CONSEQUENCES



## Delay in Filing Annual Return (Section 47 (2))

**Rs. 100 per day during which such failure continues subject to a maximum of 0.25% of the turnover in the State/UT**



## Not getting Accounts Audited (Residuary Provision – Section 125)

**Penalty upto Rs. 25,000 for not getting accounts audited by a Chartered Accountant/Cost Accountant**





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# IMMEDIATE ACTIONS

# TIME SENSITIVE ACTIONS

Action	Due When?	Implications of delay
FY18's ITC availment related actions	Sep 2018	Credit lapses
Issuance of debit/ credit notes against FY18 Invoices	Sep 2018	Tax adjustment denied
ITC reversals or true-up of ITC reversals for FY18	Sep 2018	Interest/ penal implications or credit lapse
Amendments in GSTR 1 for transactions of FY18*	Sep 2018	Amendments denied

\*Form GSTR 9 –

*“Particulars of the transactions for the previous FY declared in returns of April to September of current FY or upto date of filing of annual return of previous FY, whichever is earlier”*

**Statutory  
Deadlines  
(Dec 2018)**

**Annual Return**

**Audit Report**

**Reconciliations**



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# ANALYSIS OF PRESCRIBED FORMS

# GSTR FORMS



Form	Particulars	Current Status
GSTR-9	Annual Return for Normal Taxpayer	Notified*
GSTR-9A	Annual Return for Composition Supplier	Notified*
GSTR-9B	Annual Return for Ecommerce Operators	Not yet notified
GSTR-9C	Audit Report	Not yet notified <sup>^</sup>
GSTR-9D	Statement of Particulars	Not yet notified <sup>^</sup>

*\*Vide Notification No. 39/2018 – Central Tax dated 4<sup>th</sup> September, 2018*

*<sup>^</sup>Suggestions have been made by ICAI to Ministry of Finance*



**Notification No. 39/2018 –  
Central Tax dated 4th  
September, 2018**

# GST ANNUAL RETURN – GSTR-9 AND 9A

Part I : Basic Information

Part II : Details of outward supply & Inward supplies (RCM)

**Part III : Details of ITC and reversal thereof –  
Table 8C (ITC availed from Apr-Sep 18)**

Part IV : Details of tax paid (through cash and ITC)

**Part V : Transactions of previous FY reported in  
returns of April to September of current FY**

Part VI : Other information: demand, refunds, HSN summary, details of late fees etc.

# PROPOSED AUDIT REPORT – FORM 9C...



***Suggested by ICAI to Ministry of Finance***

- Draft format for GST Audit Report (Form GSTR 9C), Statement of Particulars (Form GSTR 9D) and Reconciliation Statement to be issued under the Act by the Institute of Chartered Accountant of India (ICAI)
- Some of the salient features of the proposed Audit Report are:
  - ❖ Reliance on the financial statements audited by the auditors
  - ❖ Assure correctness, completeness and accuracy of the following components of the returns:
    - Verification of Returns and Statements under the Act
    - Books of accounts and records under GST
    - Annual Return
    - Aggregate Outward Supplies
    - Aggregate Inward Supplies
    - Valuation of transactions
    - Adjustments made to outward and inward supplies and corresponding taxes *vis a vis* the books of accounts
    - Exemptions and abatements claimed
    - Eligible and Ineligible input tax credit
    - Classification of supplies and applicable rates of taxes
    - Other information furnished in the Form 9D and annexures thereto

# ...PROPOSED AUDIT REPORT – FORM 9C



*Suggested by ICAI to Ministry of Finance*

- Reconciliation Statement as Annexures:

- ❖ **Annexure A - Net outward supplies** after considering the return of supplies on which output tax is payable
- ❖ **Annexure B - Output tax payable** including interest, fee, penalty and other levies
- ❖ **Annexure C - Net inward supplies** on which ITC has been taken
- ❖ **Annexure D - Tax payable** (including interest, fee, penalty and other levies) on **reverse charge inward supplies**
- ❖ **Annexure E - Net ITC claimed** on inward supplies considering all the reversals, reductions and reclamations of input tax credit
- ❖ **Annexure F - Refund claimed**
- ❖ **Annexure G - Net outward supplies** on which **no output tax is payable**
- ❖ **Annexure H - Net inward supplies** (including reverse charge inward supplies) on which **no input tax credit has been taken**

# STATEMENT OF PARTICULARS – FORM 9D



*Suggested by ICAI to Ministry of Finance*

- **Two versions** proposed
  - ❖ turnover upto 10 crores (summarized report)
  - ❖ turnover 10 crores and above (comprehensive and detailed one)
- Statement of Particulars *inter-alia* require the following details:
  - ❖ **Part A** : General Information
  - ❖ **Part B** : Specific **information on deviations**, if any, from the provisions relating to the following:
    - Levy and collection of tax
    - Time of supply
    - Place of supply
    - Value of supply
    - Input tax credit
    - Refunds
    - Returns, payments and documents etc.
    - Comments on Advance Ruling sought and applicability
    - Adjudication/Appeal
    - Ratios GP, NP, cash to total payment etc.

Deviations to be reported by  
way of Annexure





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# PRACTICAL ASPECTS

# CRITICAL ISSUES...



## BARTER TRANSACTION

- Liable to GST
- Not all transactions accounted in books of accounts



## SCHEDULE – I TRANSACTIONS

- Transaction without consideration
- Generally not recorded in books of accounts
- For e.g. – Stock transfer, HO support to branch / subsidiary (without consideration)
- Transaction with employee of related party (Exemption of Rs 50,000 available to employee of the registered person only)

# ...CRITICAL ISSUES...

## VALUATION



- Value of supply under GST different from Financial transaction value
- Taxes included in value under GST
- Any kind of discount allowed as expenditure under accounting
- Recording of non-monetary consideration
- Recovery and reimbursement

## TRANSACTIONS NOT RECORDED



- Certain transactions may not be recorded in books of accounts
- Transactions under Joint Development Agreement
- Corporate Guarantee for Group Company
- Substantiating Sale on approval transactions

# ...CRITICAL ISSUES...



## INPUT TAX CREDIT

- GST paid on advance vis-a-vis advance shown in books of accounts
- Exemption on advance available only for goods and not services. What if single advance payment for both? Segregation will be in issue
- Retention, Reversal and Re-credit
- Blocked credit under Section 17(5)



## TIMING ISSUES

- Transactions under Section 9(4) and 5(4) - Unregistered person for the period prior to Oct 13, 2017
- Accounting method adopted by Companies such as Real Estate Companies (% completion method)
- Receipt of Advance recorded as current liabilities and not revenue

# ...CRITICAL ISSUES...

## RECONCILIATION



- Consolidated Financial Statement reconciliation
- Entity having Multiple Registrations
- Full year financials viz-a-viz 9 months reconciliation
- Accounting treatment / disclosure in financial statement (IND AS Vs. GST)

# ...CRITICAL ISSUES...

## OTHER ISSUES



- Sale of goods along with warranty
  - In books of accounts – Warranty income over the period
  - GST return – Invoicing or consideration whichever is earlier
- Recovery / reimbursement netted off against the expense – not reflected as revenue
- Commercial credit note – Will not form part of GST return
- Transitional Credit and Refund Claim
- Prepaid and Outstanding Expenses
- Non Taxable Supplies, Composite/Mixed Supplies

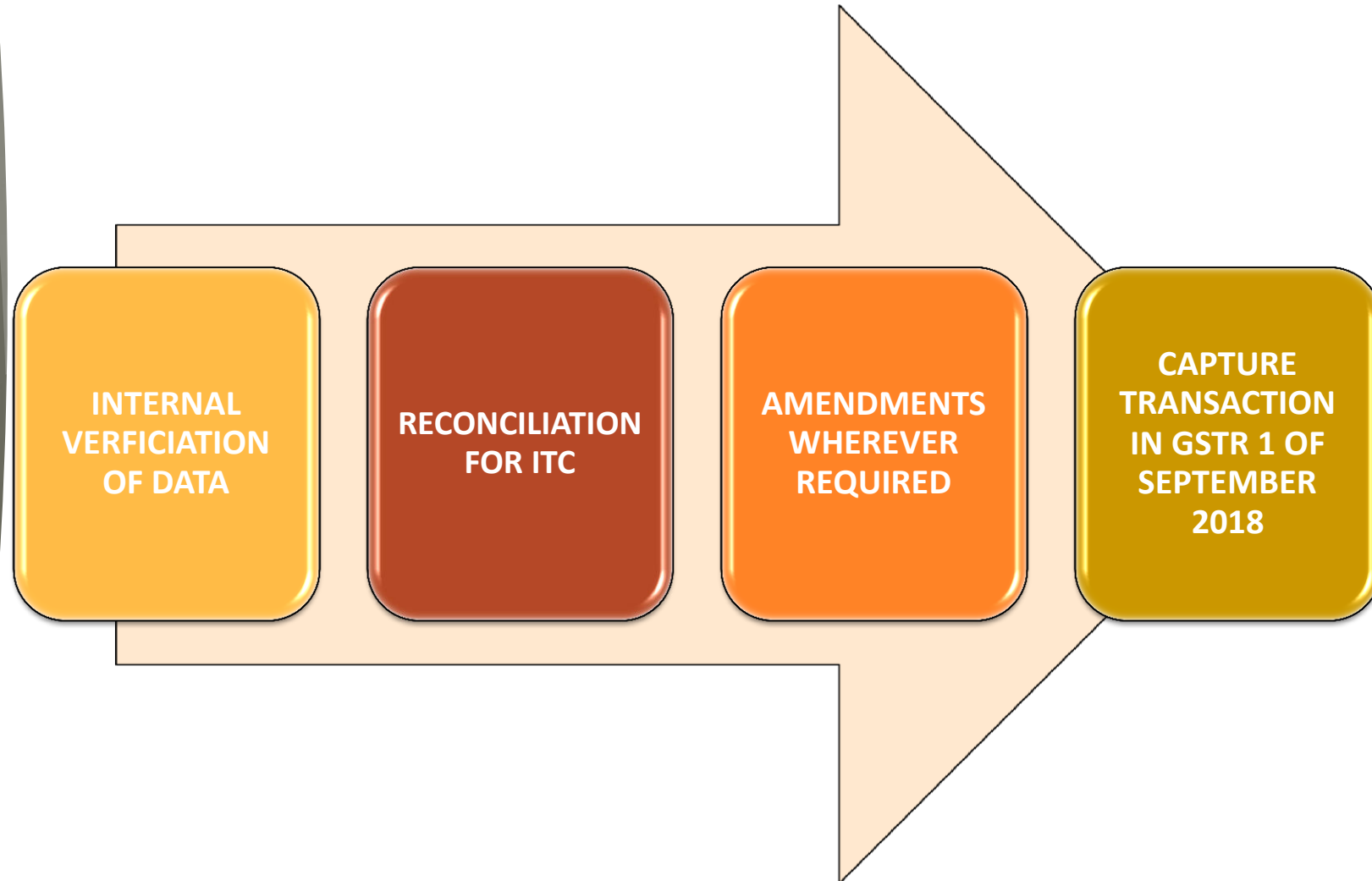


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# WAY FORWARD

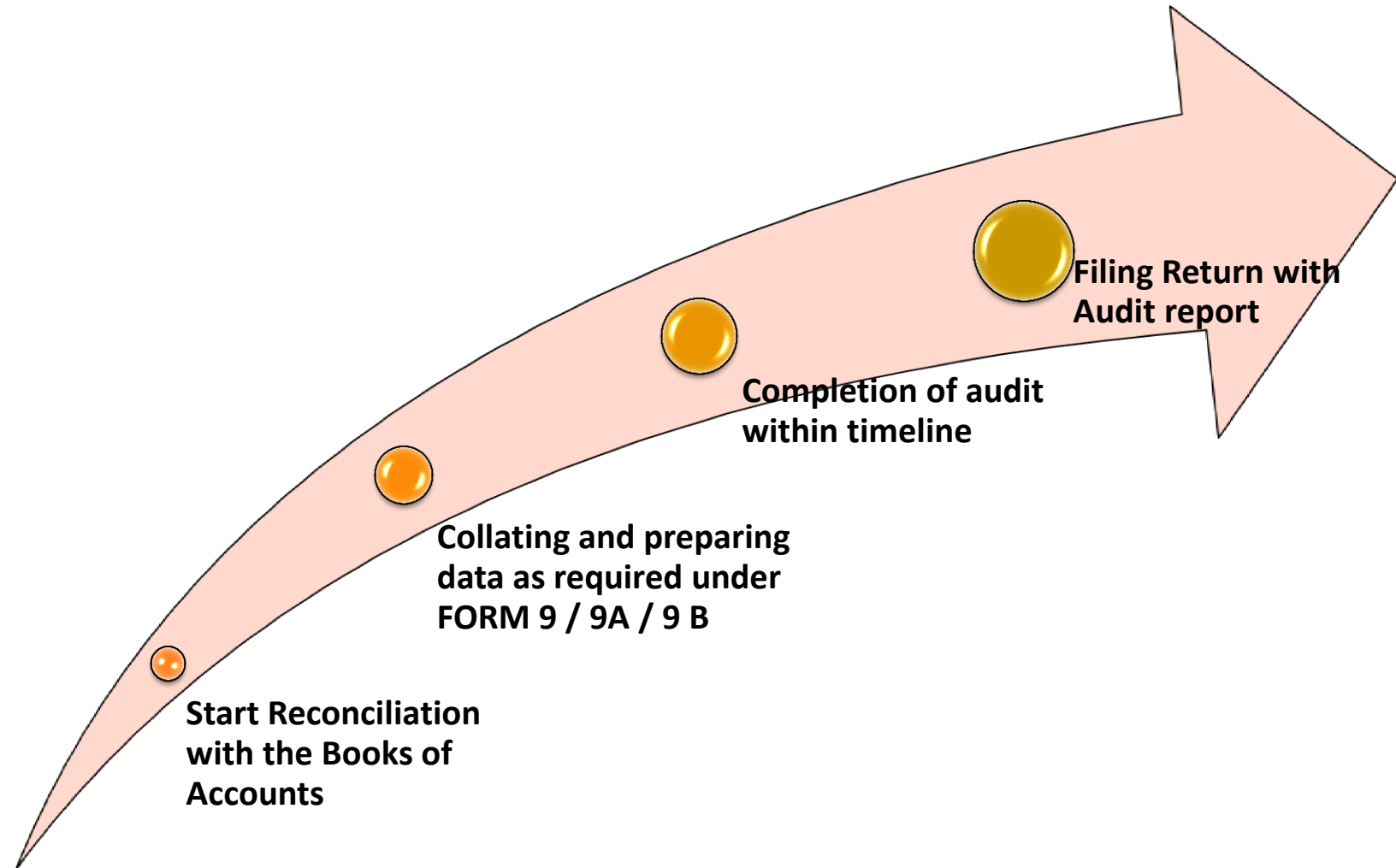


# WAY FORWARD (Upto September 2018)





# WAY FORWARD (Oct 2018 – Dec 2018)





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# Thank You

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