



Analysis of Annual Return and GST Audit (GSTR-9 & 9C)



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WHAT IS AUDIT ?

- As per **Section 2(13)** of CGST Act, 2017, **'Audit** means -
 - examination of records, returns and other documents
 - maintained or furnished under GST Acts i.e. Section 35, Rules (Rules 56, 57 & 58), or any other law in force
 - **to verify the correctness of turnover declared, taxes paid, refund claimed, ITC availed** and
 - to assess the compliances with provisions of the Act or rules made thereunder.

“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”

Accounts & Records maintained under GST

Section 35	Accounts & Records
(a) production or manufacture of goods;	Production / Stock Register
(b) inward and outward supply of goods or services or both	Purchase Book (Receivable Ledger) Sale Book (Payable Ledger) Records for RCM Liability
(c) stock of goods	Stock Register
(d) input tax credit availed	CENVAT Register
(e) output tax payable and paid	Adjustments

Accounts & Records maintained under GST

(f) Other particulars prescribed RULE – 56	
Account of Goods and services Imported	Along with : 1. Invoices 2. Bill of supply 3. Delivery challan 4. Credit notes 5. Debit notes 6. Receipts vouchers 7. Payment vouchers and 8. Refund vouchers.
Account of Goods and services Exported	
Account of supplies attracting payment of tax on Reverse charge	
Separate account of advances	1. Advances received 2. Advances paid 3. Advances adjusted
RULE – 57 – Generation and Maintenance of Electronic records. Proper electronic back up of records shall be maintained and preserved.	
RULE – 58 - Records to be maintained by owner or operator of godown or warehouse and transporters.	

PURPOSE

Assessee Perspective:

- Preventing/Rectifying errors.
- To ensure the compliance of law by taxable person.
- Ensure proper availment of benefits.
- Determination of tax liability without intervention of tax official.
- Another opportunity for the taxpayer to determine if any revenue escaped from tax.

Department Perspective:

- Self Assessment of Taxes- Needs a check
- Plug revenue loop holes
- Recording of all transaction
- Proper valuation of goods/services
- Checking of Returns and payments

TYPES OF AUDIT

Annual Audit [Sec: 35(5)]

Special Audit [Sec: 66]

Audit by Tax Authorities [Sec:65]

Section: 35(5) – Annual Audit

- Every **Registered person** whose **Turnover** during a **financial year**
- exceeds the prescribed limit i.e. Rs. 2 Cr.
- shall get his account audited by a Chartered Accountant or a Cost Accountant
- and shall **submit a copy of the Audited Financial Statements, the reconciliation statement** under sub-section (2) of Section 44 and such other documents in such form and manner as may be prescribed.
- Provided that this sub section shall not be applicable to
 - Any department of Central/State Government whose books of account are subject to audit by CAG or
 - A local authority whose books of account are audited by an auditor appointed under any law for the time being in force.

Section: 44(1) – Annual Return

- Every **Registered person**, other than
- An Input Service Distributor, a person paying tax u/s 51 i.e. TDS or 52 i.e. TCS, a casual taxable person, and a non resident taxable person
- **Shall furnish an Annual Return** for every **financial year** electronically in such form (**Form GSTR9**) and manner as may be prescribed (Rule 80 of CGST Rules,2017)
- On or before the **31st December** following the end of such financial year. (For Current FY i.e. 2017-18, due date of filing Annual Return is 30th June 2019)

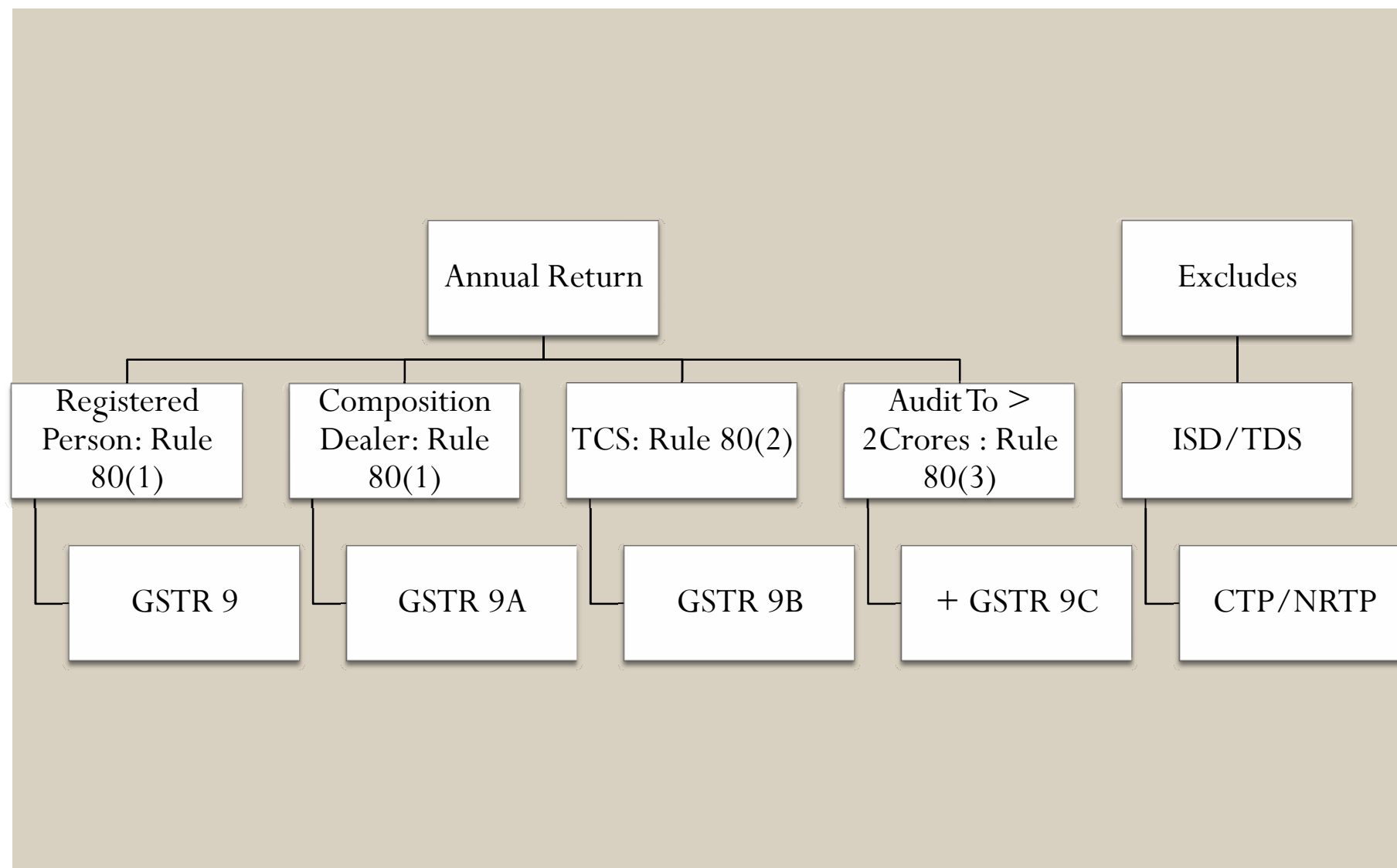
44(2) – Reconciliation Statement

- 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 Financial Statements**
- And a **Reconciliation Statement (Part A-GSTR-9C)**,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. (Nothing Prescribed yet)**

CGST Rules, 2017 relevant to GST Audit

Rule	Description
Rule 80	Annual Return and Reconciliation Statement
Sub Rule (1)	Prescribes Annual Return FORM <ul style="list-style-type: none">• GSTR-9 for every taxpayer prescribed in Section 44(1) except Composition Taxpayer, and• GSTR-9A for composition taxpayer
Sub Rule (2)	<ul style="list-style-type: none">• Prescribes Annual Statement FORM GSTR-9B for Electronic Commerce Operator who is required to collect TCS u/s 52 of the CGST Act, 2017 (NA For FY-2017-18)
Sub Rule (3)	<ul style="list-style-type: none">• Prescribes minimum limit of turnover of Registered Person who is required to get their accounts audited – Rs. 2 crores.• Prescribes Reconciliation Statement Form GSTR-9C

Applicability of Annual Return-In Glance



GSTR 9 – Annual Return

- It consists of details regarding the supplies made and received during the year under different tax heads i.e. CGST, SGST and IGST
- It consolidates the information furnished in the GSTR-1 (monthly or quarterly) and GSTR-3B returns during the financial year.
- Thus, **it is mandatory to file all Form GSTR-1 and Form GSTR-3B for the Financial Year before filing Form GSTR-9.**
- Once GSTR-9 is filed, it cannot be revised.

GSTR 9 – Annual Return

- **Additional Liability** for the FY 2017-18 not declared in Form GSTR-1 and Form GSTR-3B can be declared in this return and paid through **Form DRC-03**.
- Such liability can be paid through Electronic Cash Ledger only.
- Regular Taxpayer cannot claim ITC unclaimed during FY 2017-18 through this return.
- It is pertinent to mention that the auto populated values can be modified by taxpayer, however if such **modification is more/less than 20% then it shall be highlighted in ‘Red’ for reference and attention.**

FORM GSTR-9: Divided into 6 Parts with 19 Tables

Parts of Form GSTR-9	Content of Table	Remarks
Part 1 Basic Details	01: Financial Year 02: GSTIN 3A: Legal Name 3B: Trade Name (if any)	Auto Populate + Non Editable
Part 2 Details of Outward and Inward supplies made during the financial year	04: Details of Advance, Inwards and Outward Supply made during the Financial Year on which tax is payable 05: Details of Outward Supply made during the Financial Year on which tax is not payable	Auto Populate + Editable

Parts in FORM GSTR-9

Parts of Form GSTR-9	Content of Table	Remarks
Part 3 Details of ITC for the FY	06: Details of ITC availed during the FY 08: Other ITC Related Information	Only ITC declared as per GSTR-3B/GSTR-2A will get auto populate and is non editable.
	07: Details of ITC Reversed and Ineligible ITC for the financial year	Manually declared by Taxpayer
Part 4 Details of tax paid as declared in returns filed during the financial year	09: Details of Tax Payable and Paid	Auto Populated Tax Paid: Non Editable Tax Payable: Editable

Parts in FORM GSTR-9

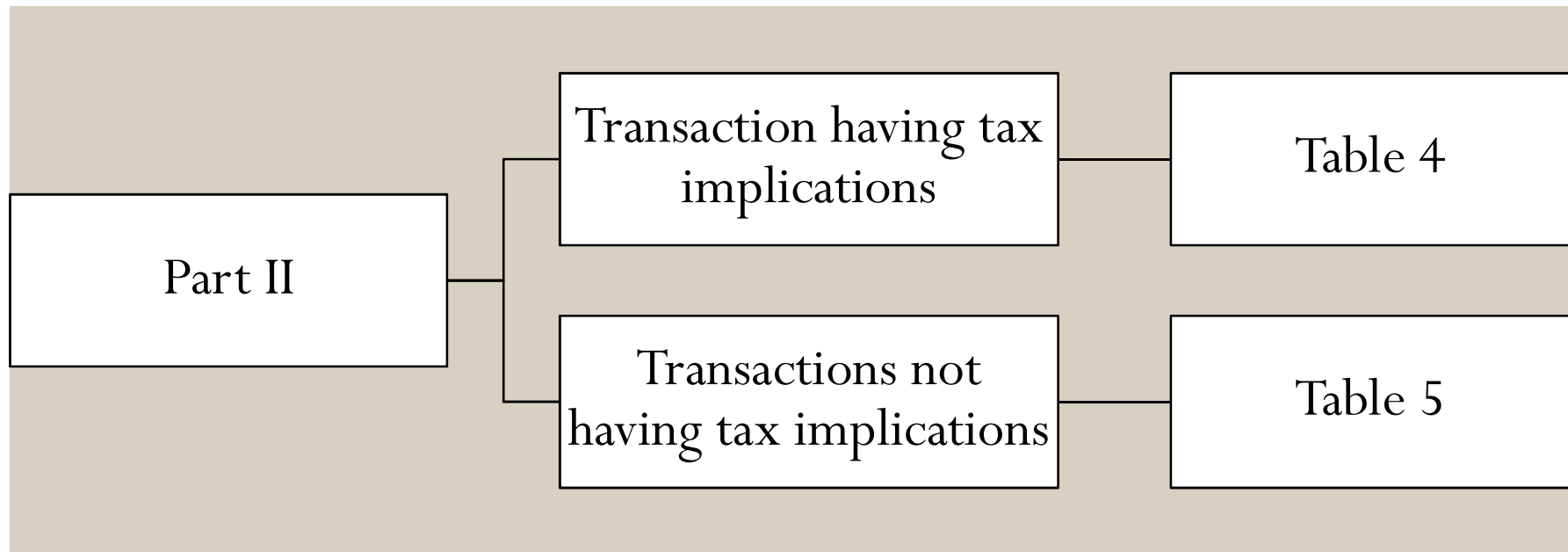
Parts of Form GSTR-9	Content of Table	Remarks
Part 5 Particulars of the transactions for the previous FY declared in returns of April to March of current FY or upto date of filing of Annual Return of Previous FY, whichever is earlier.	10: Supplies/Tax declared through Amendments(+) (Net of Debit Notes) 11: Supplies/Tax reduced through Amendments(-) (Net of Credit Notes) 12: Reversal of ITC availed during previous FY 13: ITC availed for the previous FY 14: Differential Tax paid on account of declaration in 10 & 11 above	Manually declared by Taxpayer

Parts in FORM GSTR-9

Parts of Form GSTR-9	Content of Table	Remarks
Part 6 - Other Information	15: Particulars of Demands and Refunds 16: Supplies received from Composition taxpayers, transactions with Job Worker, and Goods sent on approval basis 17: HSN wise summary of Outward Supplies 18: HSN wise summary of Inward Supplies 19: Late fee payable and paid if Annual Return is filed after the due date.	Manually declared by Taxpayer

Analysis of GSTR 9

- **Part-II:** Details of Outward and Inward supplies declared during the financial year(FY).
 - The details are auto populated by consolidating summary from all GST returns filed in previous FY. However, **same can be edited** in order to rectify reporting of supply under wrong head by taxpayer. E.g B2CL Supply is wrongly reported as Zero Rated Supply under GSTR-1.



GSTR 9 – Annual Return

- **Part-III:** Details of ITC availed and reversed in the FY dor which Annual Return is filed
 - **Table 6: ITC declared as per GSTR-3B**
 - Auto populated field in non editable mode.
 - Although Segregated details of ITC availed are required to be declared as Inputs/Input services/ Capital Goods by taxpayer under different head of inward supply. This bifurcation in the ITC availed will lead to reworking on the accounting entries by the Taxpayer, as the same details were not required in the periodic returns.
 - **Table 7: ITC Reversed and Ineligible ITC for the FY**
 - Taxpayer is required to declared details of ITC reversed due to ineligibility or reversal required under relevant rule of the CGST Rules, 2017.
 - **Table 8: Reconciliation with GSTR-2A**
 - Any unclaimed ITC pertaining to FY 2017-18 reflected in GSTR-2A will get lapse.

GSTR 9 – Annual Return

- **Table 7: ITC Reversed and Ineligible ITC for the FY**

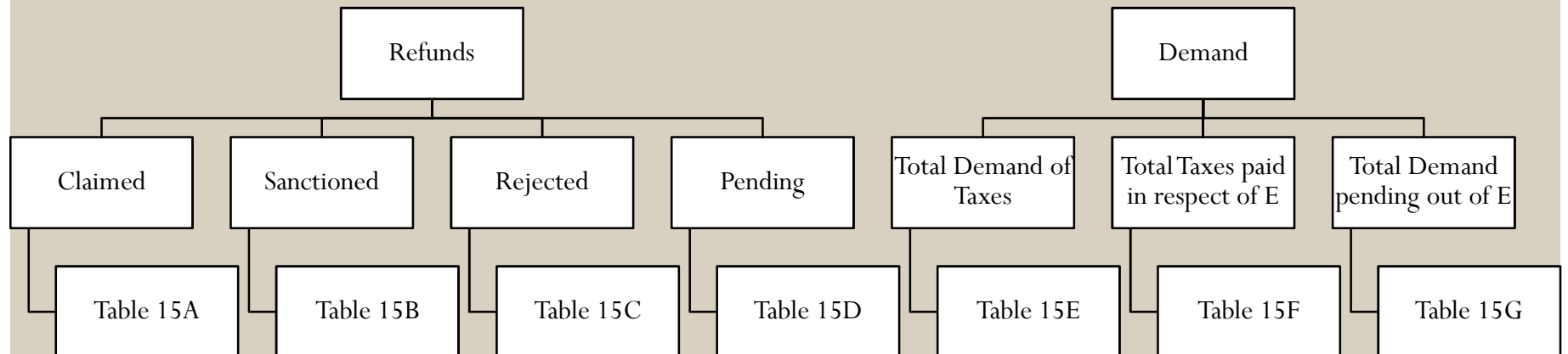
As per Section 17(5)	Blocked/Ineligible Credit
As per Rule 37	Reversal in case of Non Payment of Consideration
As per Rule 39	Reversal of Blocked Credit by ISD
As per Rule 42	Reversal of Common Input and Input Service
AS per Rule 43	Reversal of Common Capital Goods
Reversal of TRAN-I Credit	Ineligible Transition Credit claimed under GST TRAN-I
Reversal TRAN-II Credit	Ineligible Transition Credit claimed under GST TRAN-II
Other Reversal	ITC reversed through ITC-03 (Applicable where Normal Taxpayer opted for Composition Scheme or Taxable Goods become Exempt)

GSTR 9 – Annual Return

- **Part-V:** Particulars of the transactions for the previous FY (2017-18) declared in returns of April to March of current FY (2018-19) or up to the date of filing of annual returns of previous FY whichever is earlier. **(Requires Special Consideration of Taxpayer)**
 - Summary of amendment or omission entries i.r.o supplies or availment of ITC, belonging to previous FY but reported in Current FY would be segregated and declared here.
 - Differential tax paid on account of above amendments or omissions will be reported under Table 14 of GSTR-9.

GSTR 9 – Annual Return

- **Part-VI:** Other Information comprising details of-
- Table 15: GST Demands and Refunds (Applicable in case of Zero Rated Supply and Inverted Duty Structure)



GSTR 9 – Annual Return

- **Part-VI:** Other Information comprising details of-
- Table 16: Segregation of Inward Supplies from-
 - Composition Taxpayers,
 - Deemed Supply u/s 143,
 - Inputs sent for Job work but not received back by the Principal within 1 year
 - Capital Goods other than moulds and dies, jigs and fixtures, or tools sent for Job work but not received back by the Principal within 3 year
 - Goods sent on approval basis.

GSTR 9 – Annual Return

- **Table 17 & 18:** HSN wise summary information of the quantity of goods supplied and received with its corresponding Tax details against each HSN code
 - Optional:- Where Annual Turnover of Taxpayer is upto ₹ 1.50 Cr.
 - Mandatory to Report 2 digit: Where Annual Turnover is more than ₹ 1.50 Cr but upto ₹ 5.00 Cr
 - Mandatory to Report 4 digit : Where Annual Turnover exceeds ₹ 5.00 Cr.
- in the preceding financial year.
- HSN wise summary of inward supplies (i.e. Nature-Wise and not Vendor-Wise) are required to be declared only for those inward supplies which in value independently account for 10 % or more of the total value of inward supplies.
- The requirement of reporting HSN wise inward supplies is cumbersome, if not maintained earlier.

GSTR 9C – Audit Report or Certificate??

- To prepare and file Form GSTR-9C, filing of GSTR-9 is mandatory.
- This form is GST reconciliation Statement for a particular FY to be filed by taxpayers after being certified by Chartered Accountants and Cost Accountants.
- This statement is to be filled for **every GSTIN separately** and therefore there-can be several reports of GSTR-9C for same PAN.
- This form is divided into mainly 2 parts:
 - Part A: Reconciliation Statement
 - Part B: Certification

FORM GSTR-9C: Divided into 5 Parts with 15 tables

Parts of Form GSTR-9C	Content of Table
Part1 Basic Details	01: Financial Year 02: GSTIN 3A: Legal Name 3B: Trade Name (If Any) 04: Specify whether Taxpayer is liable to audit under any other Act?

Parts in FORM GSTR-9C

Parts of Form GSTR-9C	Content of Table
Part 2 Reconciliation of Turnover declared in Audited Financial Statement with turnover declared in Annual Return (GSTR-9)	05: Reconciliation of Gross Turnover 06: Reason for Un-Reconciled difference in Annual Gross Turnover 07: Reconciliation of Taxable Turnover 08: Reason for Un-Reconciled difference in Taxable Turnover

Parts in FORM GSTR-9C

Parts of Form GSTR-9C	Content of Table
Part 3 Reconciliation of Tax paid	09: 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)
Part 4 Reconciliation of Input Tax Credit ITC	12: Reconciliation of Net ITC 13: Reason for un-reconciled difference in ITC 14: Reconciliation of ITC declared in GSTR 9 with ITC availed on expense as Audited Financial Statement 15: Reason for un-reconciled difference in ITC 16: Tax payable on un-reconciled difference in ITC (due to reasons specified in 13 & 15 above)

PART-A: RECONCILIATION STATEMENT

Output Related

Reconciling Gross Turnover as per Audited Annual Financials Statement with Turnover as per GSTR 9

Reconciling Annual Turnover with Taxable Turnover as per GSTR 9

Reconciliation of rate wise tax liability and amount payable thereon

Input Related

Reconciliation of ITC as per Audited Financial Statements with GSTR 9

Reconciliation of ITC declared in GSTR 9 with ITC availed on expense as per Audited Annual Financial Statements

GSTR 9C:Part A- Reconciliation Statement

- **Part-II: Reconciliation of turnover declared in the Audited Annual Financial Statement with turnover declared in Annual Return (GSTR 9)**
 - This involves reporting the gross and taxable turnover declared in the Annual return with the Audited Financial Statements.
 - One must note that mostly the Audited Financial statement is at a PAN level. This might require the breakup of the audited financial statement at GSTIN level for reporting in GSTR-9C.

GSTR 9C:Part A- Reconciliation Statement

- **Part-III: Reconciliation of tax paid-**
 - This section requires GST rate-wise reporting of the tax liability that arose in FY 2017-18 as per the accounts and paid as reported in the GSTR-9 respectively with the differences thereof.
 - Further, it requires the taxpayers to state the additional liability due to unreconciled differences noticed upon reconciliation.

GSTR 9C:Part A- Reconciliation Statement

- **Part-IV: Reconciliation of Input Tax Credit (ITC)-**
 - This part consists the reconciliation of input tax credit availed and utilized by taxpayers as reported in GSTR-9 and as reported in the Audited Financial Statement.
 - Further, it needs a reporting of Expenses booked as per the Audited Accounts, with a breakup of eligible and ineligible ITC and reconciliation of the eligible ITC with that amount claimed as per GSTR-9.
 - This declaration will be after considering the reversals of ITC claimed, if any.

GSTR 9C:Part A- Reconciliation Statement

- **Part-V: Auditor's recommendation on additional Liability due to non-reconciliation-**
 - The Auditor must report any tax liability identified through the reconciliation exercise and GST audit, pending for payment by the taxpayer. This can be non-reconciliation of turnover or ITC on account of :
 - Amount paid for supplies not included in the GSTR-9
 - Erroneous Refund to be paid back
 - Other Outstanding demands to be settled
- **Lastly, the instructions to the format of GSTR-9C specify that an option will be given to taxpayers to declare any additional liability as recommended by the auditor at the end of the reconciliation statement and paid through DRC-03.**

PART-B: CERTIFICATION

- **Situation 1: Certification in cases where GSTR-9C is drawn up by the person who had conducted the Audit of Accounts**

Auditor is required

- To examine Balance Sheet, P/L Account/Income & Expenditure Account and Cash Flow Statement for the period subject to audit under GST.
- To report whether Registered Person has maintained books of account and records as prescribed by the CGST Act, 2017. If not, required to specify such records. **(Refer Slide No.3&4)**
- To report its observation/discrepancies/inconsistencies.

PART-B: CERTIFICATION

- **Situation 1: Certification in cases where GSTR-9C is drawn up by the person who had conducted the Audit of Accounts**

Auditor is required

- To report that Auditor has obtained all the information and explanation to the best of his knowledge and belief, necessary for the purpose of Audit.
- To report that proper books of accounts have been kept by the registered person.
- To certify that Balance Sheet, P/L Account & Cash Flow Statement are in agreement with the Books of Account.
- To certify that particulars of Form GSTR-9C are **true and correct subject to Auditors' observation.** (100% Checking) (Similar to Form 3CA/3CB Tax Audit Report under Income Tax Act, 1961)

PART-B: CERTIFICATION

- **Situation 2: 1: Certification in cases where GSTR-9C is drawn up by the person other than the person who had conducted the Audit of Accounts**

Auditor is required

- To provide Particulars of Person who had conducted Audit of Account of Registered Person along with its Audit Report.
- To report whether Registered Person has maintained books of account and records as prescribed by the CGST Act, 2017. If not, required to specify such records. **(Refer Slide No. 3&4)**
- To certify that particulars of Form GSTR-9C are **true and correct** subject to Auditor's observation.

MAJOR ISSUE WHILE CARRRING OUT GST AUDIT

- Segregated details of ITC availed are required as **Inputs/Input services/ Capital Goods**.
- Reconciliation of GSTR-2A with ITC claimed as per GSTR-3B, Failure of the matching concept – whether it would be possible to identify if the supplier has failed to remit taxes to determine eligibility of credits, Like what if vendor has consistently filing its GSTR 3B i.e. Paying taxes to government however not filing GSTR 1 due to which Registered person not able to reconcile its GSTR 2A.
- **HSN of inward supplies** is required in the annual return GSTR 9 which was not needed while filing monthly GSTR 3B. However there is some relief **that this summary details are required to be declared only for those inward supplies which in value independently account for 10 % or more of the total value of inward supplies.**

MAJOR ISSUE WHILE CARRRING OUT GST AUDIT:

- State wise reconciliation between the audited financials and GST annual returns will be a major task for taxpayers. There are numerous transactions for reconciliation.
- Reconciliation will be an issue for taxpayers like builders and developers who recognize the income based on percentage completion or project completion method as per Ind AS which is not in line with a time of supply as per GST. There are numerous taxpayers whose financial turnover is different from GST turnover.
- It needs a reporting of Expenses booked as per the Audited Accounts, with a breakup of eligible and ineligible ITC and reconciliation of the eligible ITC with that amount claimed as per GSTR-9. This declaration will be after considering the reversals of ITC claimed, if any.

CONSEQUENCE OF FAILURE TO SUBMIT THE ANNUAL GST RETURN

Return in GSTR 9	Reconciliation Statement in GSTR 9C
<p>Late fees for not filing the return within the due date is ₹ 100 per day per act up to a maximum of an amount calculated at a quarter percent of the taxpayer turnover in the state or union territory. Thus it is ₹ 100 under CGST & 100 under SGST; the total penalty is ₹ 200 per day of default. There is no late fee on IGST.</p> <p>However, this fee cannot be more than 0.25% of total turnover in the respective state/union territory</p>	<p>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, 2017, Registered person shall be subjected to penalty up to ₹ 25,000/-.</p>

Points to be considered by GST Auditor

With Regard to Output Tax Liability:

- Rate of tax – if not covered under Exemption Notification - refer notification carefully as frequent changes in Rate of tax. (For Instance Sale of old car).
- Determine Point of Taxation- Section 12 & 13 of CGST Act, 2017.
- Payment of Tax – Correct Valuation, Timing, And Nature of Tax.
- TDS / TCS under GST remain suspended throughout the F/Y 2017-18

Points to be considered by GST Auditor

With Regard to Output Tax Liability:

- Test **each revenue stream** for taxability under GST.
- Determine whether supply of **goods** or supply of **services**.
- Determine Place of Supply in terms of Section 10 & 11 of IGST Act, 2017 for supply of Goods and Section 12 & 13 for supply of Services.
- Determine Nature of Supply i.e. **intra-State** or **inter-State**.
- Valuation of Supply
 - A new & Novel Concept.
 - Interest or Late Fee or Penalty for delayed payment of consideration to be included.
 - Value of Supply between 2 distinct persons not at transaction value.
 - Concept of Pure Agent continued.

Points to be considered by GST Auditor

With regard to Input tax credit:

- No claim of credit will result into minimum 70% of loss.
- Excess claim of credit can result into huge liability of tax/interest/penalty as well as denial of concessional rate of tax, where applicable.
- **Eligibility in term of Section 16 of CGST Act, 2017**
 - 16(1)- used or intended to be used in the course or furtherance of business,
 - 16(2)- in possession of Tax Invoice, goods or services or both have been received, tax actually paid to Govt., GSTR3/3B has been furnished.
 - 16(3)- Non claim of Depreciation in case of Capital Goods.
 - 16(4)- time limit for availment of credit.
- **Apportionment and admissibility of credit** in terms of Section 17 of CGST Act, 2017
 - 17(5) Inadmissible Credits

Points to be considered by GST Auditor

With regard to Input tax credit:

- Availability of Credit in special circumstances in terms of Section 18
- Refund of accumulated ITC is not permissible except 2 scenarios i.e. on account of zero rated supply and inverted duty structure.

Common Considerations:

- Applicability of Relevant Accounting Standards.
- Manner of Recording of Transactions i.e. Capital/Revenue receipt/expenditure is irrelevant in determining liability under GST
- Netting off of expense needs to be examined carefully and whether deduction of expense is to be considered as an independent supply?

Points to be considered by GST Auditor

Common Considerations:

- Reported Turnover in Financial Statement may be less than Rs. 2 crores but because of self supply it may exceed Rs. 2 crores and resultantly subjected to GST audit.
- Taxability of Receipt of Advance

In respect of Goods:

01.07.2017 to 12.10.2017 - Taxable

13.10.2017 to 14.11.2017 - Exemption to suppliers with aggregate turnover of upto Rs. 1.5 crores

W.e.f. 15.11.2017 - Exemption to all suppliers except composition dealer.

In respect of Services: Always Taxable

Thank you

