

GST Annual Return and Audit

– Practical issues and possible solutions

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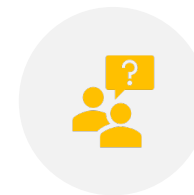
Agenda



Annual Return



Reconciliation
Statement



Q & A

Legal mandate



Every registered person is required to file an Annual Return irrespective of turnover thresholds



Exception being ISD, tax deductors, e-commerce operators, casual and non-resident taxable persons



Regular taxable person – Form GSTR-9 and Composition taxable person – Form GSTR-9A



Annual Return is required to be filed by the registered person for every GSTIN



Consequences on default – Late fee of Rs.100/- per day per Act, Maximum 0.25% of Turnover in a State or Union Territory

Procedural pointers



File all GSTR-1 and GSTR-3B or GSTR-4 for the financial year



Additional liability can be admitted in Annual Return

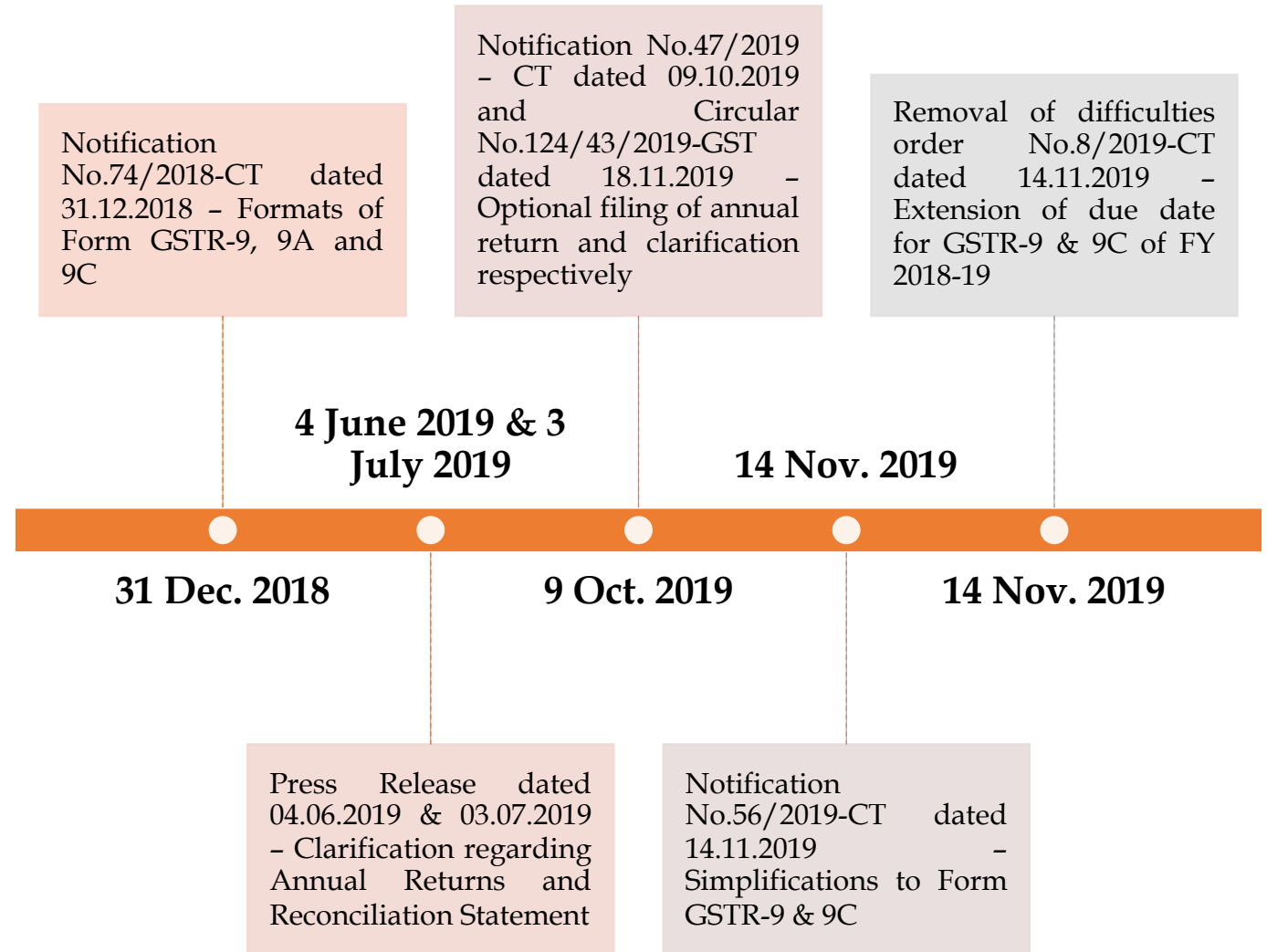


ITC unclaimed cannot be claimed through the Annual Return



No provision for revision of the Annual Return

Notifications, Press Releases & Clarifications



Pointers from Press Releases

Section 73 provides unique opportunity of self-correction to all the tax payers and Annual Return provides an additional opportunity to effect corrections

Primary data source for declaration in Annual Return – GSTR-3B and Books of Accounts

Auto-population from GSTR-1 is only a facilitation measure

GSTR-1, GSTR-3B & books of accounts should be synchronous

Tax not paid – Pay through Form GST DRC-03 in cash only, Tax paid in excess – Apply for refund through GST RFD-01A, if eligible

No availment or reversal of ITC through Annual Return. Reversal of ITC can be through Form GST DRC-03 separately

Pointers from Press Releases

Table 8A – Form GSTR-2A data as on 01.05.2019

Non-GST outward supplies includes Alcoholic liquor for human consumption, Petrol, HSD, ATF, Petroleum Crude & NG. It also includes no supply items – Schedule III of the CGST Act.

Table 5D, E, & F and Table 16A & 18 – Taxpayers are advised to declare information basis the best of their knowledge and belief. However, reasonable and explainable variations acceptable.

RCM liability of FY 2017-18 paid in FY 2018-19 will appear in Annual Return of FY 2018-19

The role of a CA / CWA certifying the reconciliation statement is limited to reconciling the values declared in annual return with the audited annual accounts of the taxpayer.

The aggregate turnover threshold of Rs.2 Cr. for issuing GSTR-9C shall be reckoned for the period from Apr'2018 to Mar'2019

Filing of Annual Return - Aggregate Turnover < Rs.2 Cr.



Waiver or Optional?



If GSTR-1 & GSTR-3B or GSTR-4 and Books of accounts are synchronous - Optional



If GSTR-1 & GSTR-3B or GSTR-4 and Books of accounts are not synchronous – It is advisable to file annual return within due date

Simplifications to Form GSTR-9

Sl. No.	Particulars	Table No.	Relaxation
1	Taxable outward supplies	Table 4B – B2B Supplies Table 4C – Zero rated supply on payment of tax (except supplies to SEZ) Table 4D – Supply to SEZs on payment of tax Table 4E – Deemed Exports	Option to declare details net of debit notes, credit notes and amendments
2	Outward supplies on which tax is not payable	Table 5A – Zero rated supply without payment of tax Table 5B – Supply to SEZs without payment of tax Table 5C – Supplies on which tax is to be paid by the recipient on RCM Table 5D – Exempted Table 5E – Nil Rated Table 5F – Non-GST supplies (includes no supply items)	Option to declare details net of debit notes, credit notes and amendments
		Table 5D – Exempted Table 5E – Nil Rated Table 5F – Non-GST supplies (includes no supply items)	Option to declare consolidated details in Table 5D - Exempted

Simplifications to Form GSTR-9

Sl. No.	Particulars	Table No.	Relaxation
3	Input tax credit (ITC) availed	Table 6B – Inward supplies Table 6C – Inward supplies received from unregistered persons liable to RCM on which tax is paid and ITC availed Table 6D – Inward supplies received from registered persons liable to RCM on which tax is paid and ITC availed Table 6E – Import of goods (including supplies from SEZs)	Consolidated information w.r.t. ITC availed on inputs, capital goods & input services can now be reported under a common heading i.e. 'Inputs'
		Table 6C – Inward supplies received from unregistered persons liable to RCM on which tax is paid and ITC availed Table 6D – Inward supplies received from registered persons liable to RCM on which tax is paid and ITC availed	Consolidated ITC availed under RCM can be reported in a single row i.e. Table 6D – Inward supplies from registered persons liable to RCM on which tax is paid and ITC availed under the head 'Inputs'
4	ITC reversed and ineligible ITC	Table 7A – As per Rule 37 Table 7B – As per Rule 39 Table 7C – As per Rule 42 Table 7D – As per Rule 43 Table 7E – As per Section 17(5)	Consolidated ITC reversals can now be reported under a single row i.e. Table 7H – Other reversals Note – Reversal on account of TRAN-1 (Table 7F) and TRAN-2 (Table 7G) continue to remain mandatory

Simplifications to Form GSTR-9

Sl. No.	Particulars	Table No.	Relaxation
5	Other ITC related information	Table 8A – ITC as per GSTR-2A Table 8B – ITC as per sum total of Table 6B and Table 6H Table 8C – ITC on inward supplies received during the respective FYs, but availed subsequently i.e. <ul style="list-style-type: none"> FY 2017-18 availed between April 2018 to March 2019 FY 2018-19 availed between April 2019 to Sept 2019 Table 8D – Difference	Option available to registered person to upload details of the entries in the PDF format in Form GSTR-9C without CA Certification.
6	Others	Table 12 – Reversal of ITC availed during the previous FY Table 13 – ITC availed for the previous FY Table 15 – Particulars of demands and refunds Table 16 – Information on supplies received from composition taxpayers, deemed supplies u/s 143 and goods sent on approval basis Table 17 – HSN wise summary of outwards supplies Table 18 – HSN wise summary of Inward supplies	Option available to registered person to not fill the details.

Audit

[Section 2(13)]

Means examination of -

- Records
- Returns and
- Other documents

Maintained or furnished by the registered person under GST Acts or rules made there under or under any other law for the time being in force.

Auditor's Responsibility

- To verify the correctness of –
 - a) Turnovers declared
 - b) Taxes paid
 - c) Refund claimed &
 - d) ITC availed
- To access taxpayer's compliance with the provisions of the GST Act or the rules made thereunder.

Key Assertions

- Whether GST has been rightly paid?
- Whether ITC has been correctly taken?
- Whether Returns have been accurately filed?
- Whether records / documents have been correctly maintained?
- Whether exhaustive reconciliations of supplies (Outward / Inward) are in place?



GST Audit

[Section 35(5) r/w Rule 80(3)]

- Every registered person whose **aggregate turnover** during a **financial year > Rs. 2 Crore** shall get his accounts audited by a Chartered Accountant or a Cost Accountant.
 - Submit audited annual accounts along with a reconciliation statement reconciling the value of supplies declared in the return v. audited financial statements.
 - Every registered person who is required to get his accounts audited shall also submit an annual return in GSTR-9 in such manner as may be prescribed [Section 44].
- Annual Return is not required to be furnished by an ISD, Person paying tax under Section 51 (TDS), e-Commerce Operator (Sec.52), Casual Taxable Person & Non-Resident Taxable person.
 - Reconciliation Statement in GSTR-9C shall be furnished electronically.
 - Reconciliation Statement and Audited Annual Accounts to be submitted along with annual return on or before 31st December following the end of financial year.
However, the extended due date for FY 2018-19 is 31st Mar 2020.

Aggregate Turnover [Section 2(6)]

PAN based

Taxable supplies (Intrastate & Interstate supplies)

Exempted supplies (includes 'Nil' rate & Non-GST supplies)

Exports

Does not include supplies liable for tax under RCM & taxes charged

Turnover in a State [Section 2(112)]

Turnover for a particular State

Taxable supplies (Intrastate & Interstate supplies)

Exempted supplies (includes 'Nil' rate & Non-GST supplies)

Exports

Does not include supplies liable for tax under RCM & taxes charged

GST Audit

Pre-requisites to commence GST Audit

- Knowledge of client's business
- Analysis of audited financial statements
- Analysis of Income tax return and Tax Audit Report
- Certified copy of trial balance in case of multiple GSTINs
- Monthly returns filed along with its annexures
- Details of amendments & corrections made in the subsequent FY relating to year under audit
- Details of amendments & corrections made in the current FY relating to previous FY
- Reconciliation of monthly returns v. books of accounts
- Reconciliation of GSTR-2A
- Sales and Purchase Registers
- Fixed Assets Schedule
- Relevant notifications, circulars, clarifications, AAR, AAAR & judicial precedents etc.,



GST Audit Focus Areas

Classification - *Old Rates v. New Rates*

Input Tax Credit - *Eligible, Ineligible, Capital Goods, Reversals, Apportionment etc.,*

Reconciliation - *Books of account v. Returns*

Valuation - *Deductions permissible, Value enhanced, Tax differentials*

Verification of Transitional ITC - *GST TRAN - 1 & 2*

Frequent Changes - *Notifications, Circulars, Clarifications, amendments etc.,*



GSTR – 3B

Table 3 Outward Supplies

- Turnovers
- Tax payable

Table 4 Eligible ITC

- Eligible
- Ineligible
- Reversals

Table 5 Exempt, Nil & Non-GST Inward supplies



Audited Financial Statements

Profit & Loss Statement

Incomes
Expenditure

Balance Sheet

Fixed Assets
Current Assets, Loans & Advances
Current Liabilities

Reconciliation synopsis

Synopsys

PART - A	Reconciliation Statement
Part I	Basic details
Part II	Reconciliation of turnover declared in audited financial statements with the turnover declared in Annual Return (GSTR-9)
Part III	Reconciliation of tax paid
Part IV	Reconciliation of Input Tax Credit (ITC)
Part V	Auditor's recommendation on additional liability due to non-reconciliation
PART - B	Certification
Part I	Certification in cases where the reconciliation statement (GSTR-9C) drawn up by the person who conducted the audit
Part II	Certification in cases where the reconciliation statement (GSTR-9C) drawn up by the person other than the person who conducted the audit of the accounts

Overview of GSTR-9C

Simplifications to Form GSTR-9C

Sl. No.	Particulars	Table No.	Relaxation
1	Reconciliation of Gross Turnover	Table 5B to Table 5N	The table has been made optional. However, in case adjustment is required to be reported, the same may be reported in table '5O – Adjustments in turnover due to reasons not listed above'
2	Reconciliation of Net ITC	Table 12B and 12C	The table has been made optional
3	Reconciliation of ITC availed as per Annual Return (GSTR-9) vis-à-vis expenses as per the audited annual financial statement	Table 14	

- In a major change w.r.t. certification requirement in GSTR-9C, auditor is now required to provide a **'true and fair'** view of the reconciliation statement as against the previous requirement to provide 'true and correct' certification.
- Cash flow statement is made **optional and is required to enclosed only if it is available.**

“FORM GSTR-9C

See rule 80(3)

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>>	

- The details to be furnished for the period April 2018 to March 2019
- To be filed for every GSTIN separately
- Mandatory to file all GSTR-1s, GSTR-3Bs & GSTR-9 for FY 2018-19

		(Amount in ₹ 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)	

- Turnover of 12 months i.e. April 2018 to March 2019 to be considered.
- Turnover to include other incomes & credits in expenses accounts.
- For single registration – Turnover as per audited financial statements to be considered.
- For multiple registrations – Turnover for the State / UT should be derived from the audited financial statements.
- Certified Trial Balance for each registration be insisted upon.

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	(+)	

Deemed Supplies under Schedule I (Without consideration)

- Permanent transfer / disposal of business assets on which ITC is availed
 - Stock transfers / Branch Transfers
 - Supplies to relatives
 - Gifts to employees > Rs.50,000/- in value in a financial year
 - Import of services from a related person / any other establishment outside India
- ❖ *After sales discounts (Quantity / Volume / Target based discounts) provided to customers not agreed at the time of sale.*

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	(+/-)	

- Turnover as per books along with transitional impacts.
- Financial Credit Notes (without GST) issued to customers.
- Supply of goods by SEZ units to DTA units on which Bill of Entry is filed by its customers.
- Turnover of Registered person switching from Composition Scheme to Regular Scheme on crossing of threshold limit of Rs.1 Crore.
- Supplies to related persons - Open Market Value as per Valuation Rules, Abated values etc.,
- Goods sent on approval basis but not returned within 180 days.
- Taxes collected forming part of turnover in the audited financial statements.

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>>	

- Turnover as declared in GSTR-9 - 5Q = Sl. No. 5N + 10 - 11 of GSTR-9 i.e. Total turnover including advances but excluding inward supplies liable for tax under RCM and amendments / corrections (including Debit / Credit notes) made during the period April 2019 to Sept 2019.

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	Taxable turnover as per adjustments above (A-B-C-D)	<Auto>
F	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	

- Values to be reported net of credit notes, debit notes and amendments, if any.
- **Sl. No.7D will be from Supplier's perspective - Supplier making RCM supplies on which recipient is liable to pay tax.**
- 7F = Sl. No. (4N-4G) + (10-11) of GSTR-9 i.e. Supplies and advances on which tax is to be paid excluding inward supplies on which tax is to be paid on reverse charge basis after considering amendments / corrections made during April 2019 to Sept 2019.

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

- Provide rate-wise breakup for Taxable Turnover arrived at Sl. No.7E
- This information will be as per audited financial statements / trial balance

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>>			

- Sl. No.9Q Total amount paid as declared in GSTR-9 = Table 9 + Tax adjustments for amendments / corrections (including Credit / Debit Notes) made during the period April 2019 to Sept 2019 relating to previous year.

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%					

- Unreconciled items with tax payable should be plotted in this table and such tax to be paid through Form DRC-03 in cash only **(No ITC utilization available)**.

IV			
12	Reconciliation of Net Input Tax Credit (ITC)		
A B C D E F	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)		
	ITC booked in earlier Financial Years claimed in current Financial Year	(+)	
	ITC booked in current Financial Year to be claimed in subsequent Financial Years	(-)	
	ITC availed as per audited financial statements or books of account		<Auto>
	ITC claimed in Annual Return (GSTR9)		
	Un-reconciled ITC		ITC 1
13	Reasons for un-reconciled difference in ITC		

- ITC (after reversals) for the period Apr'18 to Mar'19 to be considered as per audited financial statements for a single registration. For multiple registrations, from books (State wise Trial Balance).
- TRAN-1 Credits to be considered at Sl. No.12(B). TRAN-2 Credits will be part of Sl. No.12(A).
- Sl. No.12(C) to include – ITC on advances (Receipt Voucher) and supplies not received, Goods received in lots or instalments etc.,
- Sl. No.12(E) ITC claimed in GSTR-9 = Table 7J of GSTR-9 – Net ITC available for utilization

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			

- Indicative list of expense head wise ITC availed as per audited financial statements or books.
- Identifying the ITC on ineligible items charged off of P&L poses a challenge.
- This data may be correlated with ITR filed
- GSTR-2A may be used for reconciliation and populating above information.
- Total should be reconciled with Sl. No.7J - Net ITC available for utilization of GSTR-9.

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	

- Tax payable on un-reconciled difference in ITC due to reasons specified in Sl. No.13 & 15 should be populated here.

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					

- Additional liability on unreconciled turnovers (Table 11) or unreconciled input tax credit (Table 16) to be discharged by the taxpayer be reported.
- Any other amount to be paid for supplies not included in the Annual Return be reported.
- Any erroneous refund to be paid back and other outstanding amounts to be settled should be reported here.
- Any additional liability reported here shall be discharged through Form DRC-03 in cash only.

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

- Is GSTR-9C a Reconciliation Statement or a Certificate?
- Certificate in Part B I shall be applicable where both Statutory Audit and GST Audit is performed by a same Chartered Accountant.
- Certificate in Part B II shall be applicable where GST Audit is performed by a Chartered Accountant other than a Statutory Auditor.



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Q&A