

Draft Disclosures for GST Audit Report-

The notes for GST Audit are for guidance only. The GST auditor will have to make suitable observations, remarks, qualifications, etc. depending on the facts of the audit.
AS THE GST LAW IS EVER CHANGING

GSTR-9C and where to put reasons, comments, observations and qualifications and etc.

Reasons for unreconciled differences in Table 6,8,10,13 and 15.

Part-B certification, Para 2 report on maintenance of books of accounts and if has not maintained books of accounts /records /documents specified below. Here the list of books of accounts not maintained like stock register, etc. as per Sec 35 read with rule 56 to 58 of CGST Act, which is as follows:

GSTR-9C and where to put reasons, comments, observations and qualifications and etc.

List of documents required to be maintained include –

- Inward and outward supply of goods or services or both
- Stock of goods
- **Input tax credit** availed
- Output tax payable and paid
- Goods and Services imported and exported
- Supplies attracting payment of tax on reverse charge mechanism along with relevant documents such as invoices, credit notes, debit notes, refund vouchers, bill of supply etc.
- Advances received, paid and adjustments thereof.

The above is not an exhaustive list and the registered person may have to maintain additional records and registers in support of its GST Returns, GST Payments and Input Tax Credits.

❖ Disclosure 1: Notes to GSTR-9C on Para 2

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the taxpayer has maintained proper records of books and documents listed in Sec 35 read with Rule 56 to 58 of CGST Act, except Stock of goods wherein memorandum stock statement is prepared.

Partially maintained documents of supplies attracting payment of tax on reverse charge mechanism along with relevant documents such as invoices, credit notes, debit notes, refund vouchers, bill of supply etc.

According to information and explanation given by the management and in our opinion the same are not material.

We have relied on the report of statutory audit conducted under **Companies Act, 2013** or Tax Audit under Income Tax Act, 1961

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In Para 3(b)(B) proper books of accounts have been/ have not been (to be selected from the drop-down menu) needs to be mentioned.

In Para 3(b)(C) P&L, BS and CFS are in agreement/not in agreement (to be selected from drop down menu) with the books of accounts.

GSTR-9C and where to put reasons, comments, observations and qualifications and etc.

In Para 5, the auditor may provide observations and qualifications in the said of **Form No. GSTR-9C** and comment subject to are true and correctness.

Here Table is provided wherein it can be given. 15 rows and 1000 characters in each row can be given in the form of observations and qualifications.

Further the auditor may attach notes to GST Audit in a separate statement along with attachment of annual audited statements if required.

List of illustrative observations, comments, qualifications, etc

❖ **Disclosure 2: Basis of GST Audit**

Maintenance of books of accounts, GST related records and preparation of financial statements are the responsibilities of the entity's management. Our responsibility is to express an opinion on their GST related records based on our audit. We have conducted our audit in accordance with the standard auditing principles generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the GST related records and financial statements are free from material mis-statement(s).

The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on Reconciliation Statements in Form 9C.

❖ **Disclosure 3: Financial Year and Aggregate Turnover (Table 5A)**

Financial year (FY) is not defined under GST Law. As per General Clauses Act, FY means the year commencing on the first day of April.

However, for, GST audit "aggregate turnover" is considered for the period commencing from 1st July 2017 to 31st March 2018, which is in line with Clarification regarding Annual Returns and Reconciliation Statement Dt. 3rd July 2019.

❖ **Disclosure 4: Financial Year and Business commenced during the Year**

The taxpayer has commenced business during the year on Date_____. taxpayer has obtained Voluntary registration on Date or Applied for registration on_____after crossing the Turnover of 20 lakhs.

For the purpose of GST audit “aggregate turnover” is considered for the period to 31st March 2018.

❖ **Disclosure 5: Business closed during the year**

The taxpayer has closed his business operation w.e.f_____. The application for closure has been duly filed in GST REG- 06 with Tax Authorities on_____

ITC of Rs_____ Has been disallowed on the closing stock of goods”.

For the purpose of GST audit “aggregate turnover” is considered for the period_____to_____.

❖ **Disclosure 6: Additional Place of business not included in R.C. but turnover considered in GST**

The additional place of business_____ is not included in Registration Certificate under CGST/SGST Act, 2017 obtained by the taxpayer, but the turnover of outward and inward supplies and taxes there on are included in the GST Returns filed for the period under audit.

❖ **Disclosure 7: Turnover for Multiple registration in State (Table 5A)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, separate registration is obtained for different type of business by the taxpayer.

Separate trial balance of GSTIN is provided by the taxpayer and same is considered for GST Audit. GSTIN wise reconciliation is obtained for each registration.

For the purpose of table 5, total turnover as per audited financial statement for the state/UT is considered.

❖ **Disclosure 8 : Availability of Trial Balance in case of taxpayer having Multi State Activity**

The taxpayer is carrying on business in Multi States, i.e., in state other than Maharashtra. It's HO/ Branch is at _____ in Maharashtra for which GST registration is obtained by the taxpayer.

As per information and explanation provided by the taxpayer, separate books of accounts are maintained State Wise and trial balance of the state is obtained and considered for **GST Audit**.

❖ **Disclosure 9: Non availability of Trial Balance in case of taxpayer having Multi State Activity**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, further taxpayer doesn't have an accounting system or software for preparing State wise trial balance. However, taxpayer maintains accounts in SAP/ERP software on all India bases and have common data base.

Separate Sales and purchase register are maintained by the taxpayer for the transactions of Maharashtra State, on the basis of which the taxpayer regularly files GST returns and the same is considered for GST Audit in the State.

❖ **Disclosure 10: Unbilled revenue at the beginning of the year (Table 5B)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, unbilled revenue which was recorded in books of accounts on basis of accrual system of accounting in the previous financial year (i.e. 2016-17) and billed in current financial year (2017-18) has been declared in Table 5B.

However, 2016-17 figures are audited by another statutory auditor and same is considered by us. We have conducted our audit in accordance with SA 600.

❖ **Disclosure 11: Unadjusted advances at the beginning/ end of the Financial Year (Table 5C/5I)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, reliance has been placed on the audited financial statements for determining the unadjusted advances and no separate exercise is conducted to validate the same.

❖ **Disclosure 12: Deemed Supply (Table 5D)**

The term “deemed supply” is not defined under GST Law. Section 7(1)(c) of the CGST Act provides that the activities specified in Schedule I is to be treated as a supply, when it is made without consideration.

It has list out certain transactions / activities which is deemed as a supply in absence of consideration. The systems and processes adopted by the entity with a view to identifying such transactions has been assessed.

We have obtained management representation letter regarding the same.

❖ **Disclosure 13: Credit Note issued after end of FY but not reflected in Annual Return (Table 5E)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the disclosure is made of collation of data related to credit notes on account of return of goods or reduction in value of supply of goods and services made during financial year 2017-18 and credit note thereof Disclosure during the period April 2018 to September 2018 has been done on the basis of statement provided by the Management.

❖ **Disclosure 14: Trade Discounts accounted for in the audited Annual Financial Statement but are not permissible under GST (Table 5F)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the trade discounts provided in Clause 5F are not permissible as part of deductions from the value of supply under the GST Laws.

The amount of trade discount has been obtained by checking the nature of discounts from Profit and Loss account, agreements, debit notes and credit notes. The trade discount of Rs___ is reduced from sales but the same is not reduced from value of supply as per GST being it's not a pre-agreed discount/ tax is not separately shown in debit/ credit notes as per Sec 15 of CGST Act.

❖ **Disclosure 15: Turnover of period April 2017 to June 2017 (Table 5G)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, out of the total turnover for F.Y 2017-18, turnover of Rs. for the period April, 2017 to June, 2017 is deducted.

We have relied on the reconciliation statement provided by the management of the returns filed under Sales Tax/ Service Tax/ Excise as the case may be. We have test-checked the above disclosure of turnover and are subject to any pending assessments/ verification by the concerned Tax Authorities.

There is no material difference in the turnover and the return filed for that period.

❖ **Disclosure 16: Unbilled Revenue at year end of financial year (Table 5H)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, reliance has been placed on the audited financial statements and reconciliation provided by the management for determining the unbilled revenue and no separate exercise is conducted to validate the same.

❖ **Disclosure 17: Credit notes accounted for in the audited Annual Financial Statement but are not permissible under GST (Table 5J)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the credit notes provided in Clause 5J are not permissible as part of deductions from the value of supply under the GST Laws.

The amount of such credit notes has been obtained by checking the nature of credit note from Profit and Loss account, agreements and credit notes. The credit notes of Rs. is reduced from revenue in Books but the same is not reduced from value of supply as per GST being it's not in accordance to Sec 34 of CGST Act.

❖ **Disclosure 18: Turnover for the period under composition scheme (Table 5L)**

Taxpayer had earlier registered under the composition scheme from_ to_ period and Rs___ is the turnover under composition scheme. Later on he has opted out of the scheme from_____. Taxpayer has filed both forms GSTR 9 and GSTR 9A. Management has provided reconciliation statement of annual accounts with above forms and we have relied on the same. Compliance of Sec 18 of CGST Act has been done by the taxpayer.

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, our disclosures under this report includes both periods and is based on books of accounts maintained by the taxpayer.

❖ **Disclosure 19: Turnover for the period under composition scheme (Table 5L)**

Composition scheme & cash sales

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the taxpayer has not Disclosed any tax invoices, Cash Memo or Invoice for Cash Sales on B2C transactions.

Sales are booked from Cash book as a regular accounting practice. Subject to this all other conditions of composition scheme u/s 10 of CGST Act, are compiled as per the

explanation and information given by taxpayer and as per audit check carried out of the records maintained.

❖ **Disclosure 20: Adjustments in turnover u/sec 15 and rule thereunder (Table 5M)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, there is no adjustment warranted as per Sec 15 and rule thereunder on taxable value of outward supply reported in GSTR-9.

The management is of the opinion that there is no material impact on GST liability.

❖ **Disclosure 21: Adjustment due to foreign exchange fluctuations (Table 5N)**

The forex gain/loss is included in turnover as per audited financial statement and the corresponding effect of such fluctuations have been reported in Table 5N.

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, there is no impact on GST liability.

❖ **Disclosure 22: Sale of Fixed Asset (Table 5O)**

The outward supply of Rs _____ is of disposal of capital goods on which GST has been paid and the same is verified with the deletion in the Fixed Asset Registers.

The same has been reported in Table 5O.

❖ **Disclosure 23: Value of Exempted, Nil Rated, Non-GST supplies, No-Supply turnover (Table 7B)**

Value of exempted, nil rated, non-GST and no supply turnover has been declared in Table 7B. The turnover reported is net of credit notes, debit notes and amendments.

❖ **Disclosure 24: No supply (Table 7B)**

The definition of exempt supply u/s 2(47) covers three out of four terms used in Clause 7B and is also a part of disclosures in Form GSTR 1, GSTR 3B and GSTR 9. Further, instruction to SI No. 5D, 5E and 5F of GSTR 9 specifically includes the value of 'no supply'.

Therefore, the turnover of Rs. _____ has been disclosed as 'no supply' in GSTR 9 and GSTR 9-C. We have disclosed data relating to each sub-group within the definition of 'exempt supply'.

❖ **Disclosure 25: Zero-rated supplies without payment of tax (Table 7C)**

Clause 7C of GSTR 9C requires disclosure of value of zero-rated supplies without the payment of tax which forms part of the 'Annual turnover'.

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, Letter of Undertaking (LUT) dated_ of Rs. has been submitted to the GST Department by the taxpayer for the supplies without payment of tax.

❖ **Disclosure 26: Reporting of RCM to be paid by the recipient (in Table 7D)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, outward supplies on which tax is to be paid by the recipient on reverse charge basis are disclosed herewith.

Further, the taxpayer has not/partially complied with tax invoice rule 46(p), rule 54(3) and the taxpayer has also complied with ITC reversal u/s 17 of CGST Act.

❖ **Disclosure 27: Rate-wise tax liability on outward supplies (Table 9)**

GST rate wise details of taxable value for outward supply are disclosed in Table 9. The auditor has relied on information as provided by management in absence of availability of tax rate-wise ledgers in the books of accounts maintained by the taxpayer.

❖ **Disclosure 28: Reporting of payment of interest (Table 9L)**

The details of total tax payable for the period July, 2017 to March, 2018 as declared in GSTR 9 i.e. under the Annual Return is disclosed. Also, the disclosure of interest is made based on the working provided by the management which is calculated on net liability basis. It is subject to interpretation as per Sec 50 of CGST Act.

We have relied on the same and interest on gross basis is not quantified by the management. As per the opinion of management interest is paid according to net liability is prudent interpretation of Sec 50 of CGST Act based on amendment proposed in Sec 50 in Union Budget,2019.

❖ **Disclosure 29: Reporting of penalty (Table 9N)**

As per the information available and based on the management representation, no penalty notices are received from the Tax Authorities.

Hence, our disclosure of penalty is based on above facts mentioned by the management.

❖ **Disclosure 30: Recommended additional tax liability (Table 11)**

We have recommended in Part V of the GSTR 9C, the additional tax Liability to be paid by the Registered Person due to the reasons mentioned therein. Rs. ____ tax/interest is paid on ____ via DRC-03.

❖ **Disclosure 31: ITC of registration in multiple states**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the total ITC Availed (after reversals) have been determined from the consolidated financial statements.

Reconciliation has been maintained by the management to ensure that the ITC availed as per GSTR 9C reconciles and tallies with ITC of the state. Separate ITC registers are maintained state-wise and the cognizance of the same taken while reconciliation of ITC of the GSTN in the state.

❖ **Disclosure 32: ITC of single GSTN entity**

The data available from the Books of Accounts i.e. ledgers of ITC/ ITC registers has been verified for the period to arrive at the gross ITC as per books and also reversals has been reported.

❖ **Disclosure 33: ITC for taxpayers providing cash system accounting**

As per the information and explanation given to us and on the basis of our examination of records, taxpayer has followed cash system of accounting.

The ITC has been availed on cash basis only and tax invoices of FY 17-18 received and settled in the FY 2017-18, have been treated for availment of ITC.

❖ **Disclosure 34: Trans- credit (Table 12B)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, we have verified the claims made in trans 1 and trans 2 from the books of accounts visa-vis the conditions laid down under law for the claim of the same.

Also, the same has been verified online from the system to ascertain that the claim made in the books have been registered on the site for its availment.

However, the credit availability is subject to the finality of notice received from SGST Departments on the basis of original/ revised returns filed by the taxpayer.

❖ **Disclosure 35: Goods in transit and it's ITC (Table 12C)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the ITC of goods in transit of Rs. _____ was not availed as basic condition for claiming ITC was not met.

So, the ITC appearing in the books is not matching with ITC as claimed in GSTR-9 in Table 12 of GSTR- 9C. We have relied on management representation letter for deriving amount of such ITC.

❖ **Disclosure 36: ITC reversal and 180 days**

ITC availed and reversal is being reported on the basis of available records and information provided by the management. We have test checked the ITC availed and payments made to taxpayer. Accordingly, the management is of the view that no ITC reversal arises u/sec 16(2) of CGST Act.

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, our audit report is subject to the above non-disclosure of correct and complete compliance of ITC provisions by the taxpayer.

❖ **Disclosure 37: Ineligible ITC and exempt turnover**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the exempt turnover of the taxpayer comprises of interest from bank, etc.

The ITC availed is of taxable turnover, thus reversal of ITC on proportionate basis is not applicable as per rule 42 of the CGST Act.

❖ **Disclosure 38: ITC as per GSTR-2A and GSTR-9C**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, an amount of Rs. _____ but not appearing in GSTR 2A has been claimed as credit based on confirmation of payment of such tax obtained by the management.

Further, the management is of the opinion that no liability of ITC reversal/ excess claim arises due to difference in information of ITC as per GSTR-2A and GSTR-9C.

❖ **Disclosure 39: Credit Notes, ITC as per GSTR-2A and GSTR-9C**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, an amount of Rs. _____ is pertaining to credit notes Disclosure on outward supplies and are reduced from the taxable value of outward supplies.

However, in absence of confirmation from the recipient regarding reversal of ITC by the recipient, our disclosure is subject to above confirmation regarding taxable value of outward supply. This disclosure is regarding compliance of Sec 34 of CGST Act.

❖ **Disclosure 40: ITC to be reported (Table 12C)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, the ITC booked in FY 2017-18 in the books but was disallowed in the returns for FY 2017-18 on account of Reversal of Rule 37, but the same was availed in the returns filed during the FY 2018-19 upto March 2019, these reversals have also been reduced in clause 12C.

❖ **Disclosure 41: Reporting of RCM**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer and on the basis of test-check of the Books of Accounts and Inward supplies related ledgers we have reported the compliance of Reverse Charge u/sec 9(4) of CGST Act and 5(4) of IGST Act as the case may be for the period 01/07/2017 to 13/10/2017.

We have relied on management representation for unregistered status of the taxpayers.

❖ **Disclosure 42: Reporting of RCM**

During the year as per Books of Accounts and based on test-check for the year 2017-18, liability of RCM u/sec 9(4)/ 9(3) is Rs. _____ and out of it Rs. _____ has been paid in the year 2018-19.

The amount paid in 2018-19 is not shown in GSTR-9C based on the clarification Disclosure by the CBEC on 03/07/2019. Accordingly, ITC has been claimed on payment basis in the year of payment by the taxpayer.

❖ **Disclosure 43: Reporting of RCM**

As per the information and explanation given to us and on the basis of our examination of records, the taxpayer has not maintained complete record of inward supplies on which RCM is applicable u/sec 9(3) / 9(4).

Thus, we are unable to comment on the liability of the taxpayer under reverse charge for the year 2017-18.

❖ **Disclosure 44: Reporting of RCM**

As per the information and explanation given to us and on the basis of our examination of records, the taxpayer has not maintained the day-wise exemption limit calculation of Rs. 5000/- per day.

Subject to above, on the basis of information provided and test-check basis, we have reported liability of inward supplies on which RCM is applicable u/sec 9(3) / 9(4).

❖ **Disclosure 45: Expense head-wise ITC (Table 14)**

As per the information and explanation given to us and on the basis of our examination of records of the taxpayer, we have received management representation letter for obtaining details of expense head-wise ITC availed and taxable value in Table 14.

We have test-checked with books of accounts and reported the figures on which ITC is availed. The classification of various expenses under various expense head are taken from the audited financial statements.

❖ **Disclosure 46: Accounting Treatment and disclosure of ITC of GST**

For Accounting purchases other than capital goods, the taxpayer has followed Para 6 and 7 of AS-2 "Valuation on Inventories" where "Cost of Purchases" includes only those taxes, which are not subsequently recoverable by the enterprise from the taxing authorities." Accordingly, a separate ledger for ITC has been mentioned.

❖ **Disclosure 47: Accounting Treatment and disclosure of Capital Goods and ITC thereof**

The taxpayer has followed Para 9.1 of AS-10 "Accounting of Fixed Assets", which provides that "The Cost of an item of fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies and directly attributable cost of bringing the assets to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price..."

❖ **Disclosure 48: Misc. Inward Supplies (other than taxable) not included in taxable value of Inward Supplies**

The taxpayer has not included inward supplies for administrative use in the returns filed. However, details in respect of administrative Expenses involving inward supplies are not ascertainable as the taxpayer has not maintained records in respect of the same and the same have not been included in the taxable value of inward supplies.

Consequently, the taxpayer has not claimed ITC of the tax paid on such inward supplies in the returns filed.

❖ **Disclosure 49: Capital Assets inward supplies not included in taxable value of inward supplies for e.g. Motor Car**

The taxpayer has not included inward supplies of Rs. __ for capital assets in the returns filed. Consequently, the taxpayer has also not claimed ITC as per section 17(5) i.e. Motor Car of the tax paid on such inward supplies in the returns filed.

❖ **Disclosure 50: Turnover of URD Period included Audit Report**

The taxpayer has obtained Registration from date _____. Being first year of operations the books of accounts are prepared from _____ to 31st March 2018.

Figures of URD period from ___ to _____ period are disclosed in this report.

❖ **Disclosure 51: Petrol Pump taxpayers in motor spirits have Non-GST turnover**

The taxpayer is dealing in retail trade of petroleum products i.e., Petrol Pump taxpayer and has not paid tax being Non- GST supplies on the sale price of motor spirits in the returns filed by him.

These sales are non-GST sales in the hands of taxpayer. The dealer has also filed VAT Returns for the same.

❖ **Disclosure 52: Non-Maintenance of Stock Register**

The taxpayer has not maintained Stock register, as per information and explanation given by the taxpayer, due to the peculiar nature of retail business there are numerous items and maintenance of stock register on day to day basis not possible.

The same has been reported in Tax Audit Report under Income Tax Act, 1961.

❖ **Disclosure 53: Conversion of Proprietary to Partnership Firm**

_____concern was a proprietary concern registered under GST with GST Number_____ till the date____. On_____date new partnership firm was formed by taking over complete business of proprietary firm. GST Number was obtained under transferor- transferee relationship of new partnership firm with GST number.

We have audited the proprietary/ partnership firm separately being turnover of both entities above limit of audit.

In this writeup, the author has tried to summarize the disclosures under GSTR-9C. However, author is of the view that being a new statute, legislature will make necessary amendments once the practical difficulties in implementation of statute are experienced while conducting GST Audit.

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