

Nagpur Branch of WIRC of ICAI

National Conference on Indirect Taxes

“GST Audit & Reconciliation with Practical tips”

(GSTR - 9 & 9C)

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- **Scheme Under GST – Four Tier**

- 1) Self assessment by return,
- 2) Annual return, GSTR 9/9A, consolidation of returns,
- 3) Reconciliation cum Audit report, GSTR 9C,
- 4) Scrutiny by department authorities under different powers.

Responsibility is on Taxable Person to file returns including GSTR 9.

Auditor expected to give report in GSTR 9C which is reconciliation statement and certification.

The word 'audit' is defined in Section 2(13) of CGST Act as under:

“(13) “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;”

The ingredients of audit as coming out of above definition can be noted as under:

- (a) Audit is examination of records, returns and other documents;
- (b) Those records, returns and documents might have been maintained or furnished under GST Law or any other law;
- (c) The examination is to verify the correctness of

- (i) Turnover declared;
- (ii) Taxes paid;
- (iii) Refund claimed; and
- (iv) Input tax credit availed;

(d) The examination is also to assess the compliance of auditee's compliance under GST Act and Rules.

Accordingly, the objective of GST is made clear as to purpose of ensuring the correctness of Turnover declared, Taxes paid, Refund claimed, and Input Tax Credit availed in addition to compliance of GST Act and Rules. Though by wordings it appears the objective to be very simple going by the intent it is clear that entire compliance of GST law has to be confirmed in GST audit.

Though above appears to be intent and may be ideal expectation, there can be different view looking from angle of GSTR 9C.

As per 9C, reconciliation is to be given of figures in GSTR 9 vis-à-vis books of account.

No mention of ascertaining liability as per GST Act.

Example, a taxable person has allowed use of his office to relative covered by definition of relative in section 15 without any consideration. It is liable to tax due to deemed supply as per Schedule I to CGST Act. Such transaction will not be reflected in accounts.

The Taxable person has not included such value in return - GSTR 9.

Whether auditor is required to consider such transaction in GSTR 9C? It is as such not reflected anywhere in Reconciliation, being not a financial transaction. Similar is the position of barter.

One can say that the audit report is to be give as per details asked for in form and may not exceed the assignment.

Practically it is required to be informed to auditee. However reporting in audit report may not be necessary, as per this view.

Annual Return – GSTR 9/9A must for every registered dealer.

GSTR 9A for composition persons, not discussed herein.

Audit report – GSTR 9C – only for registered Taxable Persons, exceeding specified Turnover. At present Turnover limit Rs.2 crores. Section 35(5) refers to Turnover. Rule 80(3) refers to aggregate T.O.. Hence T.O. Pan India to be considered and once applicable, to carry on audit for all GSTN, though it may be below Rs.2 crores for particular GSTN.

Aspects of GSTR 9

GSTR 9 is Annual return to be filed by every registered dealer other than composition persons, as per section 44(1).

It is basically consolidation of monthly / quarterly returns filed in GSTR 3B.

However at some places it may not be mechanical totals of monthly/quarterly returns.

The requirements will require re-computation / bifurcation of figures give in monthly / quarterly returns.

Few Aspects and Issues in GSTR 9

- GSTR 9 contains instructions. They should be referred.
- **Part I – Information**
- Though Annual return is for financial year, as per instructions, for 2017-2018, the details are to be for July,2017 to March,2018.
- **Part II – Return figures**
- Reporting figures will be for returns from July,2017 to March,2018 as well as the figures relating to 2017-2018 reported in 2018-19 till GSTR1 is allowed to be filed.
- Rows in Sl.No.4 are about reporting taxable outward supplies.
- **Row 4A** Aggregate value of supply to unregistered persons and consumers (B2C) including through E-commerce. It is net amount after adjustments of Debit/Credit notes. Table 5, 7, 9 & 10 of GSTR1, relevant. Effect of prior year transaction is to be seen. Similarly the effect given in 2018-19 for 2017-2018 will also required to be seen.

<p>➤ Row 4B</p>	<p>Similar to 4A, 4B relates to supplies to registered persons (B2B). However Debit/credit notes to be shown separately.</p> <p>E Commerce supplies on which tax to be paid by recipient under RCM not included here. The net taxable Turnover will come here. Table 4A & 4C GSTR1 relevant.</p>
<p>➤ Row 4C</p>	<p>Zero Rated Supplies (Export) on payment of tax other than supplies to SEZ. 6A of GSTR1, relevant. Export of goods/services to be seen as per requirements in GST law.</p>
<p>➤ Row 4D</p>	<p>Supply of goods/services to SEZ on payment of tax to be declared here. 6B of GSTR1 relevant.</p>
<p>➤ Row 4E</p>	<p>Deemed export – as per section 147. Section 147 is enabling power to notify local supplies as deemed export. There are notifications like dated NN 48/2017 dt.18.10.2017 and 50/2017 Custom dt.30.6.2017, specifying deemed export. Table 6C of GSTR1 relevant.</p>

➤ Row 4F	Reporting all unadjusted advances i.e. Advances on which tax is paid but invoice not raised in current year. Table 11A of GSTR1 relevant. Conditions about tax payment on advances in case of both goods/services, to be kept in mind.
➤ Row 4G	<p>This to include all inwards on which RCM payable. RCM payable u/s. 9(3)/9(4) of CGST Act or 5(3)/5(4) of IGST. Table 3.1(d) of GSTR 3B useful to fill up the Row.</p> <p>Notified inward supplies from registered persons liable to RCM like GTA (Section 9(3)/5(3)).</p> <p>Supplies from unregistered persons liable u/s.9(4) /5(4) upto 12.10.2017. From 13.10.2017 it is under suspension.</p> <p>Import of services, liable to RCM, to be included here. They will include Advances and it will be net of credit/debit notes.</p>
➤ Row 4H	Sub total of 4A to 4G.

➤ Row 4I	Aggregate value of credit notes issued in respect of items in Rows 4B (B to B), 4C (export), 4D (Supplies to SEZ) & 4E (Deemed export) will be declared here. Table 9B of GSTR1 relevant. The time limit for such credit notes is required to be kept in mind viz. section 34. It is upto Sept,2018 for 2017-18. Credit notes without tax effect to be considered separately in 5H.
➤ Row 4J	Reverse of Row 4I, i.e. Debit notes in respect of items mentioned in Row 4I to be declared here. The same position as discussed above will also to be applicable here.
➤ Row 4K	Details of amendments made, by which there is enhancement in tax liability, in relation to details declared in 4B (B to B supplies), 4C (exports), 4D (supplies to SEZ), 4E (deemed exports), 4I (credit notes), 4J (debit notes) and refund vouchers are required to be mentioned here. Table 9A of GSTR1 relevant.
➤ Row 4L	is synonymous to row 4K, but it is relating amendments causing reduction in liability. Table 9B of GSTR1 relevant.
➤ Row 4M	sub-total of 4I to 4L

➤ Row 4N	is total of 4H and 4M i.e. supplies and advances on which tax is to be paid and credit/debit notes.
➤ Row 5	The details in rows in sl.no. 5 are relating to outward supplies on which tax is not payable as declared in returns filed during the financial year.
➤ Row 5A	is about Zero rated supply i.e. export on which tax is not paid, may be under LUT/Bond. Supplies to SEZ will not be included here. Table 6A of GSTR1 is relevant.
➤ Row 5B	is about supplies to SEZ on which tax has not been paid. Table 6B of GSTR1 is relevant.
➤ Row 5C	is about supplies on which tax is to be paid by the recipients on RCM. This row will contain supplies which are covered by notification issued u/s.9(3) or 5(3) of CGST/IGST Act. Table 4B of GSTR1 is relevant here.
➤ Row 5D	In this row exempted supplies will be declared. Table 8 of GSTR1 is relevant.

➤ Row 5E	is about NIL rated supplies. Here also Table 8 of GSTR1 is relevant. NIL rates are notified by notification like support services to agriculture etc. given by Notification dated 28.6.2017.
➤ Row 5F	Non GST supplies, like petrol or liquors are to be declared here. Table 8 of GSTR1 is relevant. The note to GSTR 9 states that value of “No supply” shall also be declared here. High seas sale/sale from bonded ware house can be included here.
➤ Row 5G	is sub-total of 5A to 5F.
➤ Row 5H	Here value of credit notes issued in relation to supplies declared in 5A to 5F shall be mentioned. Table 9B of GSTR1 is relevant
➤ Row 5I	This is similar to 5H but regarding debit notes. Here also Table 9B of GSTR1 is relevant.

➤ Row 5J	Details of amendments resulting in enhancement to exports, other than SEZ but including supplies to SEZ on which tax has not been paid are to be given. Table 9A & 9C of GSTR1 is relevant here.
➤ Row 5K	This is synonymous to 5J, but regarding reduction.
➤ Row 5L	is sub-total of 5H to 5K.
➤ Row 5M	This is total of 5G and 5L i.e. Turnover on which tax is not to be paid.
➤ Row 5N	This is the sum total of $4N + 5N - 4G$. Thus above figure will include all supplies with amendments on which tax is payable and tax is not payable. This will also include advances on which tax is paid, but invoice has not been issued in current year. However, it will not include supplies on which tax is paid under RCM.

➤ **Part III of Form GSTR 9 – Detail of ITC**

➤ Part III of GSTR 9 is divided into three main tables of reporting.

- a) Table 6 – Details of ITC availed as declared in returns filed during the F.Y.
- b) Table 7 – Details of ITC Reversed and Ineligible ITC declared in returns filed during the F.Y.
- c) Table 8 – Other ITC related information

➤ In addition to Part III, Rows 12 and 13 of Part V are also relevant for the purpose of reporting ITC reversed or availed in relation to current Financial Year but included in the returns filed for the month of April to September of immediately succeeding financial year.

➤ Points of verification in each Table of Part III of Form GSTR – 9.

➤ **Part III – Points of Verification, Table 6 of GSTR 9**

➤ Row 6	is about Input Tax Credit. In relation to input tax credit, the requirements in GSTR 9 are different from the Tables filled in 3B. The return filer will be required to generate new details to fill this part. It will have revisiting of the records with additional efforts.
➤ Row 6A	is the annual total of ITC availed during all the months of a Financial Year as per Table 4A of GSTR 3B. The Figures in Row 6A shall be auto populated. However, looking at the forms, it seems that the auto populated figure can be edited manually if the auto populated figure is incorrect or if there is an error in generating the auto populated figure. The total ITC appearing in Row 6A shall be further bifurcated into various heads in Row 6B to 6H. Thereafter, the total of 6B to 6H will be compared with total of 6A in order to ensure that there is no difference. Thus, total ITC in 6A is the basis for comparing the ITC under various heads. Naturally the said total ITC is the total of all ITC claimed in GSTR 3B under all heads of 4A for a Financial Year.
	The Total of ITC in Row 6A shall also be the basis of comparing the total ITC as per GSTR 2A. GSTR 2A is the total of all inward supplies received by a registered person where his corresponding suppliers have filed return in GSTR 1.

➤ **Row 6B to 6H of Part III of Annual Return**

While filing GSTR 3B, Table 4A only required bifurcation of total ITC availed in that month on following accounts:

- ❖ ITC on import of goods
- ❖ ITC on import of services
- ❖ ITC on inward supplies liable to reverse charge
- ❖ ITC on inward supplied from ISD

Thus, the Table 4A did not provide for any bifurcation of ITC on the basis of inputs, capital goods or input services.

However, Table 6B to 6E of GSTR 9 requires reporting of the bifurcation of ITC on the basis of inputs, capital goods and input services.

Row 6B requires reporting of inward supplies including services received from SEZ but excluding imports and inward supplies liable to reverse charge. The difficulty which a Registered Person will face is that while claiming the ITC in GSTR 3B, there was no bifurcation of supplies received from normal suppliers and SEZ suppliers. Further 6B only requires to include inward services received from SEZ suppliers since the inward supplies of goods has to be reported in Row 6E. Thus, a registered person will have to once again visit all the ITC invoices for a Financial Year to find out the bifurcation as required in Table 6B. This will only increase the efforts of the taxpayers. In my view the Government should have simply included the said bifurcation in the GSTR 3B itself in order to avoid the double efforts and save the man hours. If not in the past, at least for the future the said bifurcation can be adopted in the GSTR 3B. This is will further help in auto populating the figures in the annual return which in essence is nothing but mere mathematical consolidation of 12 month's figures.

In a case where the Total in Row 6A is more than Total ITC as per GSTR 2A, it means that, the registered person has claimed ITC in GSTR 3B in excess of what is shown by its suppliers in their GSTR1. This difference can be on account of ITC on import of goods and services of ITC on supplies liable on RCM basis. Assuming, that proper ITC has been availed by the Registered Person based on the tax invoices available with him and there is no import or RCM based ITC, one of the most common reason for difference is that some of the suppliers may not have filed returns in GSTR – 1 or have filed the returns but have filed incorrect data.

As per Section 42 of the CGST Act, 2017 the details of every inward supply furnished by a registered person shall be matched with the corresponding outward supply shown by the corresponding supplier. In a case where the ITC claimed by the registered person of an inward supply is in excess of the tax declared by the supplier for the same supply or where the outward supply is not declared by the supplier in his returns, the discrepancy shall be communicated to both the persons. Where the amount claimed as ITC is found to be in excess, it shall be added to the output tax liability of the registered person who claimed excess ITC.

The above mechanism prescribed in Section 42 of matching inward supply with outward supply would be possible only if the return system as originally envisaged under the GST law would have been in force. i.e. GSTR – 2 which is the details of inward supplies would have been in force. In the absence of GSTR – 2, matching the inward supply with outward supply is not possible on the system.

However, the Revenue can still check whether there is any excess ITC claimed by the registered person by simply comparing the total of Row 6B with the Total ITC as per GSTR 2A. When, there is an excess amount in Row 6B, there can be only two conclusions, either the supplier of the registered person has not filed the return or the registered person has claimed excess credit.

In case where the total of Row 6B is more than the total of ITC as per GSTR 2A, it is advisable that the registered person carries out the exercise of invoice wise matching of inward supplies with his GSTR 2A for that F.Y. and find out the discrepancy. If the excess credit is taken due to any reason such a duplicity of invoices, error in figures, etc. the same shall be part of reconciliation in GSTR 9C. No effect shall be given in GSTR – 9 for that Financial Year.

However, if the ITC pertaining to the concerned F.Y. is already reversed by the registered person in the returns filed for the month of April to September following the concerned F.Y., then the same shall be reported in Row 12 of Part V of Form GSTR 9 of the concerned F.Y.

In a reverse case where the Total of ITC in GSTR 2A is more than the Total in Row 6B, it can be safely concluded that the registered person has availed lesser ITC than eligible to him. Now, this lesser ITC may be due to various reasons such as, blocked ITC under Section 17(5) is not availed at the threshold, the registered person missed out to include or did not receive certain invoices for the inward supplies received during the F.Y., the registered person has not accounted for the debit note raised by the supplier, etc. In such case, one has to be careful to avail the eligible ITC on missed out invoices and debit notes by including the same in returns filed for April to September immediately succeeding the F.Y. No ITC shall be allowed for any invoice pertaining to a particular F.Y. after the due date of furnishing return for the month of September following the end of F.Y. as per Section 16 (4) of the CGST Act, 2017.

It may be noted that the Government's intention as per the recent press note and tweets has been clear that any ITC for invoice pertaining to F.Y. 2017-2018 shall be not allowed after due date for filing GSTR 3B for September 2018. The due date for filing GSTR 3B for September 2018 was 25th October 2018. In my view the above stand of the Government is debatable and needs to be tested in court of law. Firstly, GSTR 3B is not a return as envisaged under Section 16(4) read with Section 39 of the CGST Act, 2017. GSTR 3B is merely a makeshift return or a summary return till the time the actual return in GSTR 3 is brought into force. The implementation of GSTR 3 has been stalled due to various system problems being faced by the Government. Without referring to such problems, it will be suffice to say that the restricting or foreclosing the rights of the registered person without fulfilling the promise on their part will be wholly unjustifiable on the part of the Government. Secondly, looking at the larger perspective, the said restriction for availing the credit may also be challenged as unconstitutional since it is against the basic tenets of a value added tax system wherein the tax paid on inward shall be set off against the out put tax liability. Having said so, the restriction on time limit for availing ITC is not uncommon to Indirect Tax legislation. The Service Tax Act (Finance Act, 1994) as well as certain State VAT Act already had provisions similar to GST putting restriction on time limit for availing the ITC on inward supplies.

As this point is also relevant to the recent press note of CBIC wherein it has been clarified that in September return eligible ITC for 2017-18 can be claimed irrespective of reconciliation with GSTR 2A. In other words, it is conveyed that one should avail all eligible ITC whether reflected in 2A or not in September, 2018 return and the actual reconciliation can be done subsequently.

As far as the reporting in the Annual Return is concerned of inward supply invoices of concerned F.Y. for which the ITC is availed in the returns filed for the month of April to September following the concerned F.Y., the same shall be reported in consolidated figure in Row 13 of Part V of Form GSTR 9.

Row 6C and Row 6D requires reporting of inward supplies attracting reverse charge liability on which tax is paid and ITC is availed. It may be noted that there are two Sections for liability on RCM basis. One is Section 9(3) of CGST Act, 2017 which is in case of specific notified services such as GTA, Sponsorship, Legal Services, etc. Another is liability for RCM under Section 9(4) of CGST Act, 2017 which is on any supplies received from an unregistered person. Corresponding provisions in IGST Act, 2017 is Section 5(3) and Section 5(4) respectively. In Table 4A of GSTR 3B, the registered person may have already reported ITC on inward supplies liable on RCM basis. However, now the same needs to be bifurcated in Inward Supplies from Unregistered Person under Section 9(4) which is to be reported in Row 6C and Inward Supplies from specified suppliers in Row 6D. Again the said bifurcation needs to be worked out. One may also note that w.e.f. 13.10.2017, the RCM liability under Section 9(4) has been exempted till further notification. Thus, at least from 13.10.2017 there shall be no liability under Section 9(4) for the F.Y. 2017-2018.

Row 6E requires reporting of ITC availed only on imports of goods including supplies from SEZ. This will be readily available in Table 4A of GSTR 3B.

One more important task to be done in reporting all the above Row 6B to 6E is that there is sub-bifurcation required between ITC on inputs, capital goods and input services. Now, this requirement is a herculean task at this stage. If this had been included in the monthly returns itself or had been prescribed earlier, the registered person would have maintained the data or customized the system accordingly. To take out the bifurcation now for the entire year is like re-booking all the invoices for the entire year based on the above heads of inputs, capital goods and input services. Large Business houses which have robust accounting soft wares may still manage to do it, however for small and medium enterprises this will be additional efforts.

Row 6F requires reporting of ITC availed on Import of Services but excluding services received from SEZ suppliers. Services received from SEZ suppliers is included in Row 6B. The same is available in Table 4A of GSTR 3B with little work over on supplies from SEZ.

Row 6G requires reporting on ITC on inward supplies received from Input Service Distributor. The same is readily available in Table 4A of GSTR 3B.

Row 6H requires reporting of reclaimed ITC under any of the provision of Act. For example, where the registered person has reversed the credit on inputs for non payment to the vendor beyond 180 days, the ITC can be availed on making the payment. The same said re-claimed ITC shall be reported in Row 6H and not in Row 6B. In Row 6B it is already reported once and the reversal of same is also reported in Row 7A.

After reporting the bifurcation of ITC in Row 6B to 6H the total of the said rows will be reported in Row 6I. The total in Row 6I will be compared with Total in Row 6A and the difference shall be reported in the Row 6J. According to me, there should be no difference in total of 6I and 6A since it is total in row 6A only which is bifurcated into 6B to 6H. Thus, if there is any difference, then the total in Row 6B to 6H need to be checked until the difference becomes zero.

➤ **Row 6K to 6L of Part III of Annual Return**

Row 6K requires reporting of Transitional Credit availed by a registered person by filing TRAN I or revised TRAN I as the case may be. The final figure appearing as per the Revised TRAN I will be reported over here.

Row 6L requires reporting of Transitional Credit availed by a registered person by filing TRAN II or revised TRAN II as the case may be. The final figure appearing as per the Revised TRAN II will be reported over in this Row.

It may be noted that, only transitional credit availed during the concerned F.Y. will be appearing in these Rows. The time limit of filing TRAN – I and TRAN – II has been extended periodically and as of now the last date is 31st January 2019 in specified circumstances. In such case, even though the transitional credit is availed by the registered person by filing the TRAN – I in say December 2018, it will not be reported in Annual Report for 2017-2018. The said transitional credit availed by filing the TRAN – I or TRAN – II shall be disclosed in Annual Return for 2018-2019.

It is further to be noted that any reversal of excess transitional credit actually done in the concerned financial year only will be reported in Row 7F and 7G of Annual Return for that F.Y. Where the reversal is made in any subsequent financial year, than said reversal shall be reported only in the Annual Return for such subsequent financial year.

Row 6M requires reporting of ITC availed but not specified in Row 6A to 6L. As per the instructions the said Row 6M will contain details of ITC availed under Form GST ITC – 01 on account of stock held on application of new registration within the prescribed limit. Row 6M may also cover ITC availed in Form GST ITC – 02 on account of transfer of ITC on sale, merger, demerger, amalgamation, lease transfer, etc.

Thereafter Row 6O will contain the total of Total ITC availed by the registered person during the Financial Year.

➤ Part III – Points of Verification in Table 7 of GSTR 9

Table 7 of the Annual Report requires reporting of ITC reversed and ineligible ITC declared in the returns filed for the Financial Year. Again, the figures are merely the addition of the monthly returns and no revised figure can be added or deducted from Table 7. If there is any less reversal or excess reversal, the same can be either given effect by row of 12 or 13 if such changes are effected in the monthly returns filed for the month of April to September following the end of financial year.

Row 7A requires reporting of reversal of ITC on account of non-payment of consideration beyond 180 days as per Section 16(2) of the CGST Act, 2017. It is to be noted that, in Row 7A only that figure which has been reported in the monthly returns will be shown. If for any reason the registered person has failed to report any such reversal any of the monthly return than the same will not appear in Row 7A. The effect for the same shall be either given in Row 12 or in the Annual Return of the next financial year. The said figure of reversal under Rule 37 will be included in Row 4B(2) of the GSTR 3B. Individual bifurcation of the same needs to be worked out for reporting in Row 7A.

Row 7B requires reporting of ITC which is reversed from the distribution made by the Input Service Distributor under Rule 39 of the CGST Rules. The said figure is not separately shown in Table 4B of GSTR 3B, hence it needs to be worked out manually. Rule 39 (1)(i) provides for reversal of ITC, if there is credit note in respect of which ITC is distributed. When the supplier of ITC issues credit note there will be reduction in distributable ITC. Therefore, ITC has to be correspondingly reduced by the recipient. Rule 39(2) provides similar position for reduction in distributable ITC for any other reasons. The reversal of ITC credit can be verified from the GSTR – 6 filed by the ICD for distributing the credit.

Row 7C and 7D requires reporting of reversal made by the registered person on account of Rule 42 and Rule 43 of the CGST Rules. As per section 17(1) or (2) of CGST, the ITC which pertains to Input or input services used for non business activity is required to be reduced. Similarly when the ITC is for taxable as well as for exempt supplies, it is required to be reduced on pro rata basis given in rule in relation to exempt supplies.

Rule 42 of the CGST Rules provides for manner of distribution of input tax credit in respect of inputs or input services used partly for business purposes and partly for other purposes, or partly for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies. Similarly, Rule 43 provides for manner of distribution of input tax credit in respect of capital goods used partly for business purposes and partly for other purposes, or partly for effecting taxable supplies and partly for exempt supplies.

The above figure for reversal under Rule 42 and 43 is available in Row 4B(1) of GSTR 3B. The same needs to be bifurcated into Row 7C and 7D. Any lower reversal or excess reversal which has been given effect to in the returns filed for April to September following the end of financial year shall be shown in Row 12 or 13 of the Annual Return.

Row 7E of the annual return requires reporting of ineligible ITC on account of blocked credit under Section 17(5) of the CGST Act. The said figure is readily available in Row 4D(1) of GSTR 3B. It is to be noted here that many registered persons while filing the return had shown the ITC in Row 4A of GSTR 3B as net of blocked credit in Section 17(5). In such case, my opinion would be to continue to show the ITC in Row 6A as net ITC excluding blocked credit under 17(5) in order to avoid the difference. The figure in Row 7E relating to blocked credit will appear only if the same is also included in total ITC as per Row 60. If the blocked credit is not included in Row 60, then it will result in difference in Net ITC as per Annual Return and as per GSTR 3B.

Row 7F and 7G requires reporting of any reversal in Transitional Credit made during the F.Y. The same will be included in Row 4B(2) of GSTR 3B.

Row 7H relates to any other ITC Reversal which may be made but not included in any other Rows of Table 7. This may include the reversals made on account of Show Cause Notice or pursuant to any order of the court, etc.

Row 7I is the total ITC reversed or ineligible included in Row 7A to 7H.

Row 7J provides the total of net ITC available for utilization by deducting the total ITC reversal in 7I from the total ITC availed in 60. The Net ITC availed in 7J is an important figure as the same will taken as base to compare the ITC as per books of accounts in Row 12E of the Audit Report in Form GSTR 9C. The total in Row 7J will also be the base for comparison of expenses wise ITC in Row 14S of Audit Report in Form GSTR 9C.

➤ Part III – Points of Verification in Table 8 of GSTR 9

Table 8 of the Annual Return prescribes other information relating to ITC such as total amount of ITC available as per GSTR 2A, total amount of ITC lapsed during the Financial Year. The said figures of lapse of ITC will then be available in the system of GST for cross reference during assessment.

Row 8A will be auto populated figures of total ITC as per the GSTR 2A. The same will be used for comparison of ITC as per Row 6B. The same is intended to verify that the total ITC availed matches with the tax paid by the suppliers on supplies made to the registered person.

Row 8B will also be auto populated figure containing total of Row 6B and 6H. Row 8C requires reporting of total ITC on inward supplies received during the F.Y. 2017-2018 but availed in the return filed for the month of April 2018 to September 2018.

In Row 8D, the total ITC as per GSTR 2A will be compared with the Total ITC claimed by the registered person for F.Y. 2017.2018. The difference of the total ITC as per GSTR 2A and total ITC claimed by the registered person for F.Y. 2017-2018 upto the due date for filing the return for the month of September 2018 will be reported in Row 8D.

If the difference in Row 8D is in positive, it means that Registered Person has claimed less ITC than what is available as per GSTR 2A. If the difference in Row 8D is negative, it means that Registered Person has claimed excess ITC than what is available as per GSTR 2A. In such case, again the reason needs to be found out for such excess credit. The excess credit may be on account of duplicate credit availed in monthly returns or the suppliers of the registered person have not filed the GSTR – 1.

If the difference is in positive, than said difference will be further bifurcated in Rows 8E and 8F. Row 8E is the amount of ITC out of the difference in 8D which was available as per GSTR 2A but has not been availed by the registered person in any of the GSTR 3B till return filed for the month of September 2018. Row 8F is the amount of ITC out of the difference in 8D which was available as per GSTR 2A but not availed by the registered person on account of ineligibility, e.g. blocked credits.

Row 8G requires reporting of Total IGST paid on import of goods (including supplies from SEZ). The same needs to be found out by the registered person for the F.Y. from its books of accounts. Row 8E is the Total ITC availed on import of goods including supplies of goods from SEZ. The same will be auto populated as per Row 6E.

The difference between, 8G and 8E is reported in 8I. The said difference amount in 8I is nothing but ITC available on import of goods but not availed by the registered person as appearing in Row 8J.

Row 8K is the total of Row 8D and Row 8J. The said total is the amount of ITC which was available to registered person but not availed for any reason. As per description of Row 8K, the same total is proposed to be lapsed ITC for the said F.Y.

In my view, the legal effect of the said Row 8K needs to be challenged on two grounds, 1) the unavailed ITC which was eligible but not availed beyond September 2018 may be challenged on the grounds discussed in Para 6.2.11 above. 2) the unavailed ITC on import of goods needs to be challenged on the ground that there is no time limit prescribed under the CGST Act or the Rules for availing ITC on the basis of Bill of Entry filed for imported goods. As per Section 16(2)(a) the registered person shall be entitled to claim ITC on the basis of three documents, namely;

- ❖ Tax invoice issued by registered supplier
- ❖ Debit Note issued by registered supplier
- ❖ Such other tax paying documents as may be prescribed in Rule 36(1). Bill of Entry is one of the tax paying documents.

Section 16(4) of the CGST Act, 2017 provides that a registered person shall not be entitled to ITC in respect of any invoice or debit note after the due date for filing return for the month of September following the end of F.Y. The said Section 16(4) does not speak about ITC on the basis of specified documents such as Bill of Entry. It only provides for invoice or debit note.

Thus, Row 8K providing for lapse of unavailed ITC on import of goods is not sustainable and against the provisions of law.

➤ **Part IV – Detail of Tax paid as declared in returns**

Part IV is about giving details of tax paid as per declared in returns filed during Financial year. Practical difficulty. No return get uploaded without payment though there is installment facility provided in Act. There is anomaly. Returns to be allowed to be filed with facility of installment is necessary.

➤ **Part V – Detail of Transactions for the Previous FY**

Part V is about particular of transactions for the previous year declared in return for April to Sept. of Current year. This for achieving reconciliation as per 9C

➤ **Part VI – Other Information**

Part VI is about other information. There are factual particular to be ascertained for records of return filer.

➤ **Verification**

No concealment, significance.

➤ Audit Report – Form GSTR – 9C

Part A of GSTR – 9C is Reconciliation statement. After giving basic details in initial 4 rows, the reconciliation starts from row 5 onwards about outward supplies.

The basic concept of 9C is to reconcile the figures in GSTR 9 with financial statements.

The financial statements are for the particular year and in respect of financial entries. Under GSTR 9, the figures are based on adjustment of transactions of previous and subsequent year. There are also amounts about deemed supplies without actual financial entries in the books. For example, in relation to relatives there may be deemed supply without actual amount transaction and therefore without any entry in the books of account. The attempt of reconciliation in 9C is to reconcile the turnover in financials with addition / deletion of such items.

Form GSTR 9 is filled up by the return filer. The Form 9C is to be signed by the auditor. So there is authenticity about return filed by the tax payer vis-à-vis books of account of tax payer.

Rows in Sr. No.5 are about additions to the turnover shown in financials.

	<p>In 5E it appears that the sign should have been (-), but it is (+). The authorities may clarify this issue.</p>
	<p>There is also row 5R for showing un-reconciled turnover and there is Sr.No.6 for mentioning the reasons for the same.</p>
	<p>Sr. No.7 is about reconciliation of taxable turnover with row for showing un-reconciled taxable turnover and Sr.No.8 for mentioning the reasons for the same.</p>
	<p>Sr.No.9 in Part III is about reconciliation of tax paid with row for showing un-reconciled tax payment and with Sr.No.10 for giving reasons for the same.</p>
	<p>Sr. No.11 in Part III is about showing additional amount payable but not paid due to reasons given earlier. If the auditee is not consenting with the additional amount coming payable, then it may not be shown in this Sr. No. and suitable note can be given.</p>

➤ Points of verification in Table 14 of Part IV of Form GSTR 9C

Apart from the Reconciliation of Net ITC as per Annual Return with the Net ITC as per Books of Accounts, the registered person is also liable for reconciling the ITC on the basis of each expense head.

Row 14A to 14Q requires the registered person to classify the net ITC as per the books of accounts and Annual Return on the basis of various expense heads such as, purchases, freight / carriage, power and fuel, rent and insurance, imported goods (including received from SEZ), goods lost, stolen, written off, or disposed of by way of gift or free samples, royalties, employee's cost, etc. The said list is only illustrative and not exhaustive. Thus, it may happen that whatever heads of expenses are shown in the debit side of trading and profit and loss account, all such heads needs to be mentioned in Table 14. The ITC on each of such head as per the books of accounts needs to be mentioned in the Table 14 along with its value, the total amount of ITC, the total amount of eligible IT availed in the books of accounts. This is going to be a challenging part of the Audit Report, as many registered persons may not have maintained the books of accounts in a manner in which the ITC on above heads can be clearly distinguished and arrived at. If the ITC is parked in a common account, the same needs to be worked out entirely for a particular year with utmost accuracy to avoid any differences. This is also required to be done to GSTN wise, if there are more than one GSTN. The various heads of expenses in Table 14 are extracted below for ready reference:

	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			
F	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples			
G	Royalties			
H	Employees' 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			

Row 14R is the total of ITC availed on all the expense heads mentioned in Table 14. The said total in Row 14R will be compared with Net ITC claimed in the Annual Return as shown in Row 7J of Annual Return equal to Row 14S of the Audit Report.

If there is difference in the ITC as per Audited Books of Accounts and Annual Return, the same shall be shown as un-reconciled ITC in Row 14T. If there is a positive difference, it means that ITC in audited books of accounts is higher than the ITC as per Annual Return. The balance ITC not availed in Annual Return may lapse for not being availed within time limit prescribed subject to other provisions of the Act. In any case, the difference for un-reconciled ITC needs to be explained in Table 15. However, if there is negative difference meaning thereby the ITC as per the Audited Books is less than the ITC as per the Annual Return, the difference needs to be explained in Table 15. It also means that Registered Person has availed more ITC than what is available as per books of accounts. This may result in demand depending upon the reasons for difference.

Part V in about Auditor's recommendation on additional liability due to non-reconciliation.

Verification - At the end of Part A of 9C, there is verification part.

The said part reads as under:

"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."

The verification part is very onerous duty on the auditor. Normally audit reports are opinions of the auditor based on his verification. To certify that nothing is concealed may create odd situations when something is found payable subsequently.

➤ **Part B of the GSTR 9 is about certification. It is the prescribed form which is to be filled up by auditor.**

The audit under GST is real task with number of requirements with accuracy. There should be proper trained persons with audit planning. Recently the trend is to catch hold of auditor also when there is any irregularity by the auditee. Under GST Audit also there may be such instances where difference in actual liability as compared to shown in audit report is found out subsequently. The authorities may try to find fault with auditors. Therefore, utmost care is required in audit. However, it has also to be appreciated that this is new avenue for professional practice and certainly the CAs will take up the challenge successfully.

It can also be noted that there are certain items of previous year or subsequent year involved in reconciliation statement in 9C. Such amounts are not audited by the auditor doing audit of current year. Therefore unaudited figures are actually incorporated in the audit report. This is also not within the correct scope of audit which is for particular financial year.

I wish all the best for GST audit to my professional colleague.

Thank You