SURESH & CO.,

Chartered Accountants

Spotted & Reported – GST Audit

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FOREWORD

With the introduction of Goods and Services Tax from July 1, 2017, there has been a major shift in the indirect taxation structure in India from origin-based tax to destination-based tax. Having completed more than one year of its implementation, the government has notified GST Audit to be conducted, vide Notification No. 49/2018 – Central Tax dated 13th September, 2018 in FORM GSTR 9-C.

"Spotted and Reported" is one of the many other initiatives undertaken by Suresh & Co., Chartered Accountants, to enable its members, articled assistants, associates, clients, business partners, professionals and other trade/industry practitioners to be informed and updated about the new developments in the industry. Two reports on:

1. "CBDT Amends the Tax Audit Report (Form 3CD)" and
2. "Business Valuation",

have already been issued.

This 3rd issue of Spotted and Reported is drafted with a view of giving its readers a quick understanding of upcoming GST Audit. The report has been drafted in a Q&A format, covering the various aspects of GST Audit, filing of Annual Returns and other details as necessary.

The report does not deal with legal interpretations and rulings. This report is only meant for general awareness and should not be used as a basis for any decision-making.

Audit, the systematic and independent examination or inspection of books of account and various records of an organisation, is an activity that is undertaken either voluntarily or to comply with a statutory requirement. Auditing being an ancient safeguard method provides assurance to various stakeholders, that the entity's financials being audited is free from material mis-statements.

GST is revolutionary in the realm of taxation of goods and services. With introduction of GST from July'17, the various indirect taxes have been subsumed under GST. GST is a mechanism which supports self-compliance where the registered person self-assesses the tax payable by them. Hence to ensure the correctness and veracity of the information provided by them, Annual Returns and GST Audit are to be conducted.

The general objectives of GST audit would be:

1. Protect revenue in a fair manner
2. Ensure fair computation of tax payable and claim of the input tax credits thereof
3. Assisting registered persons in the compliance with the GST Law.
4. Prevent evasion of tax.

Audit under GST is the examination of records maintained by registered dealers.

Audit under GST are:

1. Audit by a taxable person with help of a Chartered Accountant or a Cost Accountant (u/s 35(5), CGST Act, 2017)
2. General Audit as initiated by the commissioner or any tax officer (u/s 65, CGST Act, 2017)
3. Special Audit by a CA as nominated by the commissioner (u/s 66, CGST Act, 2017

The benefits of GST Audit are long ranging. It helps an organisation with the following:

a. Conducting a GST Audit can bring into light the aspects where the registered person is required to pay special attention in order to maximize credit availing and minimize tax payments through proper planning and timely compliances.
b. It gives clarity on whether the time of supply, place of supply and the GST rates being charged are correct.
c. Ensures books of account have been maintained as per the principles laid down in the Act.
d. Enabling the registered person to identify possible claim of inputs that were missed.
e. Ensuring that the right amount of refund claims is made with respect to exports.
f. Reversal of any ITC that was wrongly claimed, thus avoiding interests and penalties if any.
g. It gives the management assurance about the true and fairness of the book.
h. The management may obtain value addition from the expert views of auditor.
i. It provides information on the level of compliance of the registered person with the provisions of the law.

On the whole, GST Audit will ensure hassle free transition of businesses to the new financial year 2018-19 as far as GST compliance is concerned.

Who needs to get their books audited?

Aggregate Turnover of Registered Person

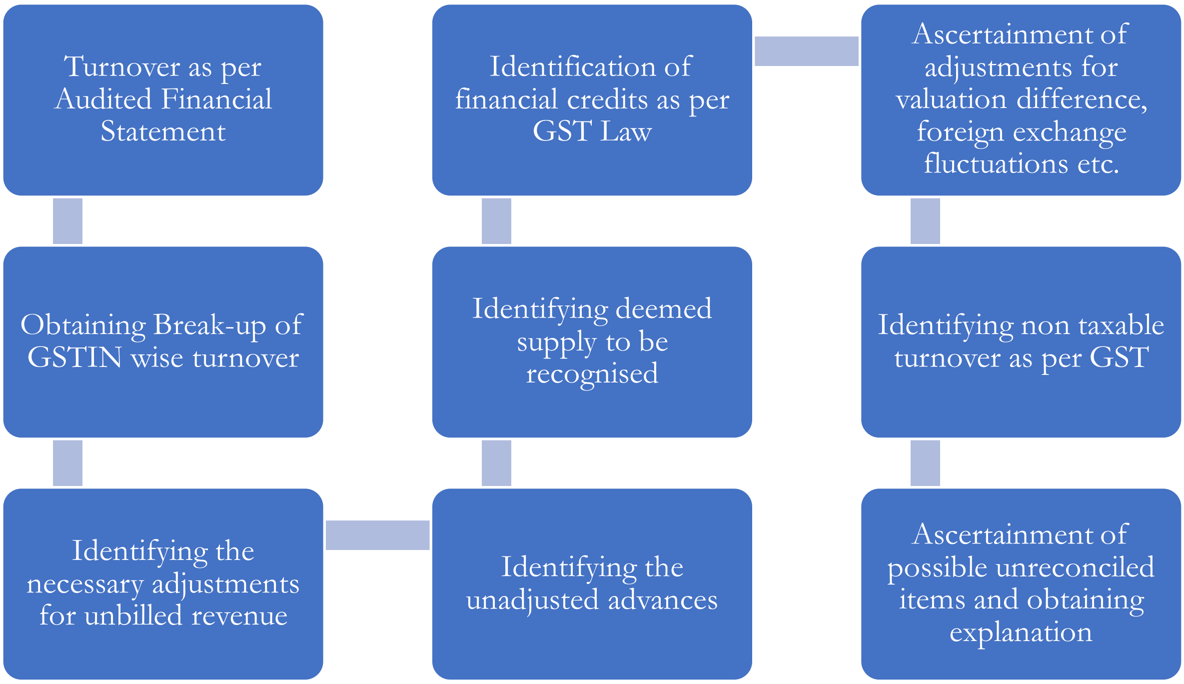
Below ₹2 Cr → File Annual Return as per GSTR 9

Above ₹2 Cr → File both FORM GSTR-9 & GSTR-9C

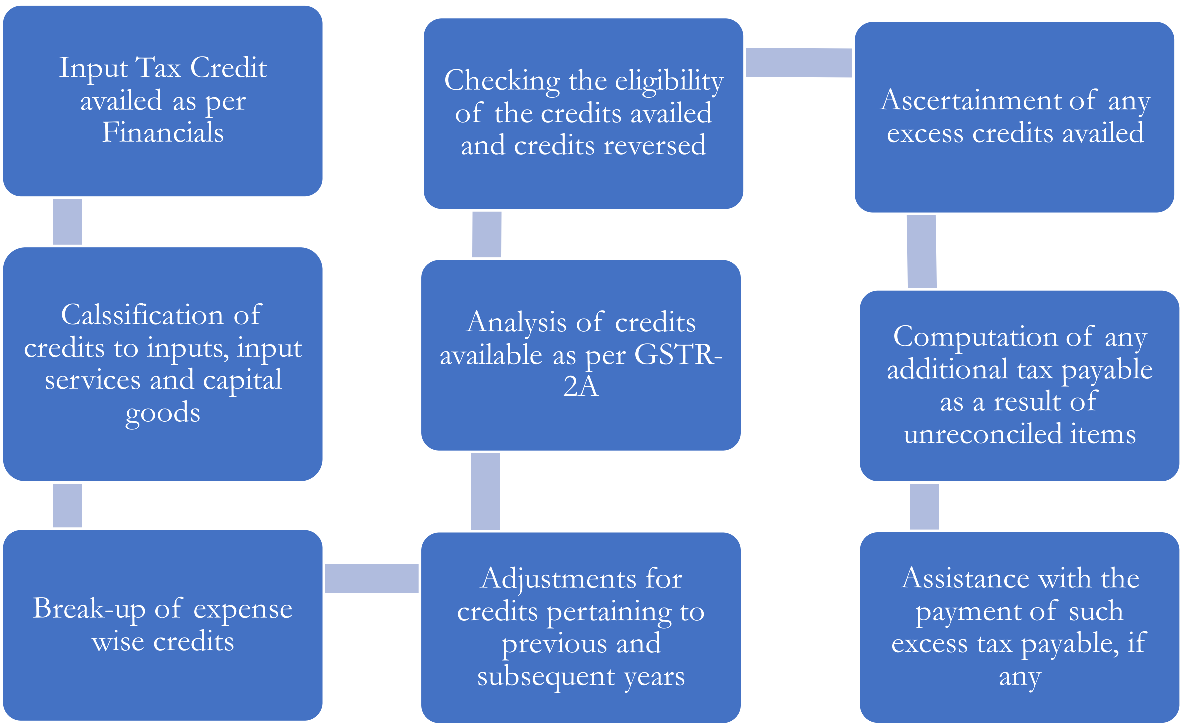
GST Audit Checklist

1. Obtaining GSTIN-wise Details; Audited Financials, Trial Balance and other documents/information pertaining to the particular GSTIN
2. Reconciling details of GSTR 3B in relation to GSTR 1, GSTR-2A and books.
3. Vouching of sales invoices, credit notes, etc., on test-check basis
4. Check for the input tax credits availed, missed and identification of ineligible credits
5. Verifying other data/conditions with respect to export, deemed supply, related party transactions, refunds claimed, taxes paid etc.,
6. Reporting the discrepancies identified during the audit to the registered person and giving suggestions thereof
7. Certification of FORM GSTR-9C and providing comments if any.

Audit of Turnover



Audit of Input Tax Credit Availed



1. What is Annual Return?

In general terms an Annual Return is a yearly statement or a document that gives essential information about the entity's performance for the year. GST Annual Return is also similar and can be called as summary of all the monthly and quarterly returns filed during the year. It would report all the turnover declared, taxes paid, input taxes availed, refunds claimed and other necessary details pertaining to the financial year.

The GST Annual Return is to be filed electronically on the common portal in FORM GSTR-9.

Returns under GST would be:

a. Periodic returns to report the transactions during a period (monthly / quarterly)
b. Annual return which is a summary of the periodic returns made during the financial year.

2. Who is required to file GSTR-9 and when?

As per Sec 44(1) of CGST Act, every registered person other than the following:

a. Input Service Distributors
b. Persons liable to deduct tax under Sec 51
c. Persons liable to collect tax under Sec 52
d. Casual Taxable Person and
e. Non-resident taxable person,

shall file the annual return electronically on the common portal on or before **31st December following the end of such financial year.**

3. What are the various forms of Annual Returns?

The following forms are available for filing the GST Annual Return:

a. **FORM GSTR-9:** Every regular tax payer is required to file Annual Return in GSTR-9.
b. **FORM GSTR-9A:** Every person paying taxes under composition scheme u/s 10 of the Act shall file Annual Return
c. **FORM GSTR-9B:** Every electronic commerce operator who is required to collect tax at source.

4. Would a person who has not affected any supply or has cancelled his registration, be required to file Annual Returns?

a. A person having no transactions during the year shall file a Nil Annual Return.
b. A person who has got their GST registration cancelled, shall file Annual Return for the period applicable to him before such cancellation
c. A registered person who has opted in or out of composition scheme u/s 10 of the GST Act shall file GSTR-9 as well as GSTR-9A for the relevant periods.

5. What is Audit as per GST Law?

As per sec 2 (13) of CGST Act, audit means the examination of the records, returns and other documents maintained by the registered person under this act or any other law. Audit is conducted to verify the correctness of the:

a. Turnover declared
b. Taxes paid
c. Refund claimed and
d. Input taxes availed.

Audit would also be conducted to assess the compliance of the registered person with the provisions of this Act or Rules.

6. Who needs to get their books audited?

In order to reduce the burden on small tax payers, as per sec 35(5) of CGST Act, 2017, every registered person whose aggregate turnover during the previous year exceeds ₹ 2 Crore shall get his accounts audited.

Such taxable persons are required to submit the following documents u/s 44(2):

a. Copy of Audited Annual Financial Statements
b. Annual return submitted in FORM GSTR-9
c. A reconciliation statement in FORM GSTR-9C reconciling the value of supplies as declared in the returns with audited Annual Financials

The above documents are to be submitted electronically on the common portal before 31st December of the following year.

Note: *An internal auditor cannot conduct the GST Audit.*

7. What is meant by the aggregate turnover?

As per sec 2(6) of CGST Act, 2017 aggregate turnover would mean the sum total of all the taxable supplies made by persons having the same PAN. Aggregate turnover would include:

a. Exempt supplies
b. Exports of goods or services
c. Interstate supplies
d. Stock transfers.

However, the aggregate turnover would exclude the following:

a. Value of inward supplies on which tax is paid under reverse charge basis
b. Central Tax (CGST)
c. State Tax (SGST)
d. Integrated Tax (IGST)
e. Union Territory Tax (UTGST)
f. Compensation Cess

8. How is the aggregate turnover limit of ₹2,00,00,000 arrived at in case of multiple registration applied under the same PAN?

PAN	State	Taxable Turnover	Exceeds ₹2 Cr
AAAAA9999A	Kerala	2,50,00,000	Yes
AAAAA9999A	Bihar	1,00,00,000	No
AAAAA9999A	Delhi	50,00,000	No
	Total	**4,00,00,000**	

In the above case, it can be observed that the entities registered under the states of Delhi and Bihar do not have an aggregate turnover exceeding ₹2 Cr during the financial year. However, the Act says the total aggregate turnover is PAN-based turnover affected during the year. Hence, the turnover under those terms would make it to a total of ₹4,00,00,000 for all the registered person under the said PAN in the year, thus attracting the GST Audit for all the three states.

9. What is FORM GSTR-9C?

Form GSTR-9C is a reconciliation statement as required by sec 44(2) of CGST Act,2017 to be filed by the taxable person reconciling the Annual Return in GSTR-9 with the audited financial statement of the tax payer.

It would be a reconciliation between:

a. Gross and taxable turnover as per the books reconciled with the respective figures as per GSTR-9.
b. Inputs availed and their eligibility as per the books with respective figures in GSTR-9.

Hence any difference arising from such reconciliation will be reported along with the reasons for the same.

A Chartered Accountant or the registered person is required to prepare the reconciliation statement based on the details made available to him i.e., GSTIN-wise details. However, the Audited Financial Statement does not give the breakup of turnover pertaining to individual registration. Hence, one of the tasks is to ascertain the turnover pertaining to individual registrations. The CA also has to certify additional liability, if any, arising out of the un-reconciled items.

The statement thus acts as a basis for the tax authorities to test the correctness of the details reported in the returns filed for the assessment year.

The form also provides an option to the registered persons to pay additional liability, if any, arising out of the reconciliation process at the end.

10. What are the pre-requisites for the GST Audit?

a. Communicating with the previous auditor before taking up the audit engagement;
b. Obtaining a thorough understanding of the operations, procedures and policies of the business;

c. Understanding the IT Infrastructure of the company;
d. Assessing the effectiveness internal controls;
e. The level of compliances of the company with the laws for the period

11. Would the reconciliation statement require the break-up of turnover of every GST registration of the same entity?

a. The turnover as mentioned in the Audited Financial Statements will be a consolidated turnover from all the state.
b. However, the GSTR 9C is to be prepared individually for each GST registration under the same entity.
c. Hence in case of entities with multiple GST Registration, the turnover as per audited financial statements shall never match with the annual turnover for a stand-alone GST Registration.
d. The initial task in the preparation of the GST audit is to ascertain the extent of turnover affected by every individual GST registration and reconcile it with the audited financials.
e. It is thus concluded that Form GSTR 9C would begin by the turnover affected by the stand-alone individual GST Registration and not the aggregate turnover of all the registered units as mentioned in the audited financial statements.
f. This would involve obtaining individual trial balance, turnover affected by individual registrations and such other details as necessary based on either the branch accounts or based on GSTIN of individual registrations taken.

12. What are the accounts and other details that has to be maintained by the Assessee?

Every registered person is required to maintain the true and correct records of the following details in the place of business as mentioned in the certificate of registration:

a. Details of Input Tax Credit (ITC) availed;
b. Quantitative details of goods manufactured;
c. Inward and outward supply of goods or services including imports and exports, and supplies attracting reverse charge;
d. Stock of goods;
e. Output tax payable and paid;

It must be noted that the following details must be evidenced by relevant documents.

Every owner or operator of warehouse / godown / other storage space, and every transporter, shall maintain records of the consigner, consignee and other relevant details of the goods, even if he is not a registered person.

The registered person shall further keep particulars of names and details form whom he has received or has supplied goods and services to.

Any entry in registers, accounts and documents shall not be erased, effaced or overwritten.

13. What are the details that are to be maintained by the agents?

a. Details of the authorisation received by the agent from the principal to receive or supply goods or services on behalf of the principal
b. Description of value and quantity of goods or services received or supplied on behalf of every principal.
c. Details of accounts furnished to every principal
d. Such taxes paid on behalf of every principal

14. What effect is to be given to any discrepancies that are found as a result of the audit?

Discrepancies are usually identified on preparation of the annual return and audit. Adjustments to any such discrepancies found are to be made, up to the return for the month of September of the immediately following financial year.

Any adjustments to such discrepancies identified post the filing of the return for the month of September of immediate Financial Year cannot be made.

15. Can credits not availed, identified during the audit, be utilized for paying liability identified during audit?

Provisions have been made in the FORM GSTR-9C to make payment of tax on any unreconciled ITC in Table 16. However, any un-availed credits would lapse if the same has not been claimed within the time limit provided in the Act which is the due date for returns of Sep'18 for the period July'17 to March'18.
Hence, it needs to be understood that the GST Annual Return must be ideally prepared prior to the month of September to ensure that any notice of such eligible but missed out credits could be availed within the due date for the month of Sep the following year. Conducting audit within such time also ensures that any adjustments or reversals that are needed to be made is also done, thus avoiding interests and penalties.

16. What are the consequences upon non-submission of Annual Returns?

a. The late fee for non-filing of Annual Returns would be ₹100 per day subject to max of 0.25% of turnover in the State/UT.
b. Further a penalty of ₹25,000 may be imposed upon the registered person for not getting their accounts audited. (Sec 125)

17. Is it possible that the reconciliation statement is prepared by one person and the certification is given by another person?

Yes, the certification of FORM GSTR-9C can be either made by the person who has drawn up the reconciliation statement or by any other person. For the purpose two separate certificates are provided for each of the above cases in the form GSTR-9C.

18. What is the structure of FORM GSTR-9 and FORM GSTR-9C?

a. **FORM GSTR-9**: It consists of 6 Parts and 19 tables
b. **FORM GSTR-9C**: It consists of two main parts i.e., the part for reconciliation and the part for certification. The reconciliation part is further divided into 5 parts and 16 tables.

19. Would there be any requirement to review the valuation methods adopted by the entity?

Where the value of supply of goods or services cannot be determined under sec15(1), the entity shall value the same as per Chapter 4 of CGST Rules:

a. Value shall be the open market value of such supply
b. If open market value is not available, it would be equal to the value of supply of value of like kind of goods or services
c. If the value is still not determinable it shall be as per Rule 30. Rule 30 mentions that the value of goods and services shall be the 110% of the cost of production or manufacture or the cost incurred for providing such services.
d. If the value of goods and services is still not determinable then the value is to be determined using reasonable means consistent with the principles as section 15 of CGST Act, 2017.
   An auditor is to pay key attention on the valuation method adopted by entity and is also required to suggest the entity regarding the same. He may also comment on the issues identified if required.

20. What would be the effect of any refund vouchers issued during the F.Y?

Refund vouchers are issued when no subsequent supply is made and thus no tax invoices are raised with respect to the advances received.
Such refund vouchers will be declared as part of credit notes issued.

21. Would details pertaining to the F.Y. 17-18 reported/amended in the returns between April'18 to Sep'18 of GSTR 1 be included in the annual return GSTR-9?

Provisions are provided in GSTR-9 (Table 4 and 5) to report the details of all the outward supplies declared during the returns for the financial year 17-18.

However, amendments to invoices relating to period July 17-Mar 18, reported/amended in GSTR-1 of any of months starting from April 18 to Sep 18 would also be included as part of GSTR-9 [Part V Table no. 10 of GSTR-9]

Date of Invoice	Month of reporting in GSTR-1	Month of amendment made in GSTR 1	Table to be reported in GSTR-9
27/07/17	July'17	Sep'17	Table 4 or 5
01/04/18	April'18	NA	Table 10 or 11
28/07/17	Sep'17	NA	Table 4 or 5
01/02/18	Feb'18	May'18	Table 10 or 11

22. What are the details that are to be included while reporting Advances in GSTR-9?

Table 4F of GSTR-9 requires the registered person to report all those advances that has been received during the year for which GST has been paid, but the invoices are yet to be raised (not raised in the F.Y 17-18).

Caution must be exercised to identify and exclude those advances that have been received after the date of Nov,11 2017, as the Notification No66/2017 exempts payment of tax pertaining to advances received for supply of goods.

No advances received is to be reported under table F if the tax invoice regarding the same has been issued in the F.Y. 17-18.

It would not matter if the advance received pertains to interstate or intra state supply.

23. Where would transactions relating to RCM payments be reported in GSTR-9?

Type of RCM Payment	Kind of transaction	Table in GSTR-9	Example
RCM paid by the registered person under reverse charge (buyer's point of view)	Inward supplies on which tax is to be paid under reverse charge basis	Table 4G and 6C	When the registered person has purchases from an unregistered person (or) has made purchase of certain categories of goods and services notified
RCM paid by the recipient of goods or service under reverse charge (seller's point of view)	Outward supplies in which the recipient has to pay tax on reverse charge basis.	Table 5C	When the registered person makes supply of goods or services as notified, the recipient is required to discharge tax liability.

24. What happens when an assessee is not required to get the books audited under any other statute or if the statutory audit is not complete before the commencement of GST audit and the reconciliation statement thereof?

The reconciliation statement in FORM GSTR-9C begins from the turnover as declared in the Audited Financial Statements.

If, for a particular taxpayer, the financial statements/books of account are not required to be audited under any other law, then the auditor must engage himself based on financial statements provided by the entity and make suitable disclosure thereon.

25. Is there any provision available to report any amendments relating to changes that have no tax implications?

Annual Return provides the provision to include amendments made to B2B supplies, export supplies, credit notes raised and debit notes. However, it must be noted that only those amendments which has an effect on the taxable value or tax amounts must be reported. Any amendment relating to change in date of invoice or description etc. which have a static effect on the taxable value or the tax amounts as reported in the original invoice shall not be declared here.

26. How does an auditor identify barter transactions or sale of other asset and where would the same impact while doing the reconciliation process and audit?

a. Barter transactions and sale of assets (sale of fixed assets) are unique.
b. Sale of fixed assets would be recorded in the respective ledger and any profit or loss arising from the transaction would be reflected in the statement of profit or loss.
c. Hence, they do not form part of direct turnover/sales in the books.
d. But the same would be considered as supply under GST. Hence it becomes a reconciling point during audit.
e. In order to identify barter transaction a thorough understanding of the business would be required. Such transactions can be found in the notes to accounts. Once the transactions are identified, the valuation methodology adopted by the management is to be reviewed and appropriate action shall be communicated to the registered person.
f. The auditor would ascertain the taxable amounts and report the same in Table 5O as those items which would not be recorded as supply for the purpose of accounting.

27. Would GST audit under sec 35(5) of CGST Act, 2017 be applicable to Non-filers and unregistered persons liable to take registration?

A non-filer is a registered person who is liable to file the monthly returns but has failed to do so. If the aggregate turnover during the year exceeds ₹2 crore, like any other taxpayer he/she is also liable to GST audit. FORM GSTR-9C requires reconciliation statement to be prepared based on Annual Returns for the purpose of GST Audit. But practically such persons would not have filed any of the returns and thus deriving Annual Return in FORM GSTR-9 would not be possible. Hence, there may be no audit until all the monthly/quarterly returns are filed.

An unregistered person on the other hand is liable to pay tax but has not got any registration. Hence as per sec35(5) of CGST Act, 2017, audit is not applicable to such person.

28. Would Financial credit note be declared in reconciliation statement in FORM GSTR-9C?

Whenever credit note is issued reducing the value of the original supply without reducing the tax attributable to the original invoice, the credit note shall be termed as financial credit note.

Financial Credit notes would include the following:

a. Discounts offered post supply;
b. Credit notes in relation to exempt & non-GST outward supplies.
c. Credit notes issued after the Sep return of FY immediately succeeding the FY or if the Annual return is filed.
d. Refund of consideration where the tax is not refunded;
e. Any other situations as applicable.

Since the above credit notes do not involve adjustment of output tax liability, the same would not be declared in the monthly returns and thus would find no relevance to FORM GSTR-9. Hence the same have to be declared as credit notes accounted for in the Financial Statements but not permissible under GST in Table 5J of GSTR-9C.

29. How would the ITC availed be declared in the Annual Return?

Aggregate value of Input Tax Credit availed on all inward supplies from:

a. Registered persons,
b. Unregistered persons (upon payment of tax under RCM)
c. Import of Goods and services (upon payment of tax under reverse charge)
d. SEZ suppliers
e. Input Service Distributor,

shall be reported in the Annual Return giving a proper classification of the ITC (as whether pertaining to inward supplies of inputs, capital goods and input services).

Further provisions have also been made to report any reversals of ITC affected during the year to be reported in the Annual Return.

30. Would Refund for the period pertaining to the FY 17-18 filed in the F.Y 18-19 be reported in the Annual Returns?

No, only the details of the refunds applied during the F.Y 17-18 are to be reported in the Annual Return. Any refund application made post April'18 even if the same pertains to the F.Y 17-18 shall not be reported. Further, the details of refunds that would be reported are as follows:

a. Total Refund Claimed as mentioned in RFD 01
b. Total refund sanctioned as mentioned in RFD 04 and RFD06 for the refunds claimed during the F.Y.
c. Details of the refund rejected in RFD 08
d. Total Refund pending for the applications filed during the F.Y.

31. What are the deemed exports that are to be reported in FORM GSTR-9?

Deemed exports are those supplies where goods do not leave India and payment for such supplies are received in INR or convertible foreign exchange. The government has notified the following categories of supply as deemed exports:

a. Supply of goods against advance authorization.
b. Supply of capital goods against EPCG Authorization
c. Supply of goods to Export Oriented Units.
d. Supply of gold by bank/PSU specified in Notification No. 50/2017-Customs.

32. What would be the treatment made to unbilled revenue while reconciling the audited financial statement with the Annual Return?

Any unbilled revenue accrued and recorded in the previous financial year on accrual basis, for which invoice is raised under the GST Law, shall be included in the reconciliation statement.

Caution must be exercised in this regard to exclude all those unbilled revenues for which invoice have been raised during the period April'17 to June'17.

Similarly, any unbilled revenue at the end of the year but recorded in the Financial Statements of the current year due to accrual concept shall be deducted in the reconciliation statement.

33. What is the treatment of unadjusted advances while reconciling the Turnover as per Annual Financial statements and the Annual Return?

All those unadjusted advances at the end of the year for which GST has been paid shall be added up to turnover as per financial statement during reconciliation, as the same would not have been recognized as revenue while preparing the financial statements.

The unadjusted advances at the beginning of the year for which GST has not been charged, but the same has been recognized as revenue during the year, would be reduced from the turnover as per audited financial statement while preparing the reconciliation statement.

34. Would transactions relating to deemed supply as per Schedule-1 be reported while reconciling?

All those transactions which involves:

a. supply of goods or services between related parties such as stock transfers,
b. supply of goods between principal and agents,
c. import of goods

have been declared as deemed supply under Schedule 1. Auditor is required to look beyond the books to identify the evidences of such transactions and the same needs to be reported in the reconciliation statement. Care must be taken to include only those deemed supply which are not part of the turnover of the audited financial statements.

35. How would the ITC declared as per the Audited Financial Statement and the Annual Return be reconciled?

ITC availed is reconciled in two sections in FORM GSTR-9C.

The ITC as availed under the different heads of expense as recorded in the books of account is to be reconciled with ITC as claimed in the Annual Return.

Another reconciliation would involve adjusting the ITC availed as declared in the audited Financial statements for:

a. ITC pertaining to previous financial year claimed in current year (transitional credit)
b. ITC booked in current financial year to be claimed in subsequent financial years.

36. How would Reversal of ITC be reported in form GSTR-9?

Reversal of ITC is made under the below mentioned rules in Table 7 of FORM GSTR-9:

a. **Rule37** – Reversal of inputs when the payment is not made within 180 days from the date of issue of invoice.
b. **Rule 39** – Reversal of credits distributed through an ISD
c. **Rule 42** – Reversal of credit for Inputs and Inputs services for multiple reasons
d. **Rule 43** – Reversal of Inputs credit pertaining to Capital goods for multiple reasons.
e. Reversal ineligible credit as per sec 17(5) of CGST Act, 2017.

The above details are to be reported from GSTR 3B. It must be noted that in GSTR 3B the break-up of the above reversals shall not be available. Hence, steps must be adopted to bifurcate the reversal of ITC as declared in GSTR-3B to the respective Rules.

37. How are the unreconciled items in the reconciliation statement be reported?

FORM GSTR-9C requires the registered person to give explanations to the unreconciled items between Annual Return and the audited financials in the reconciliation statement. Such unreconciled items are usually on account of difference in the disclosure norms as per Accounting Standards or other statutory provisions adopted by the registered person and as per GST Law.

Few instances of such differences are as below:

a. Zero-rated supply made by the registered person during the previous year. If the conditions relevant for the supply have not been complied by the registered person, then the supplies can be construed to be regular supplies.
b. ITC of subsequent year where the goods/services were received later, but their invoice was received prior.

38. What would be the special checks pertaining to Joint Development Agreement?

A Joint Development Agreement is an agreement between a land owner and a real estate developer to construct new projects. Two types of JDA are common: Area Sharing JDA and Revenue Sharing JDA.

a. The transaction involved in an area JDA is in the form of barter, wherein the landowner gives the development rights along with the relevant portion of undivided land to the developer to construct building for the landowner and in exchange the developer gives construction service to the landowner.
b. Time of tax liability in case of JDA arises when the said developer transfers possession or the rights in the constructed civil structure to the person supplying the development rights (landowner) by entering into a conveyance deed or similar instrument. This may be only a deferred payment of GST liability, the time of supply would still have to be examined as per GST provisions.
c. Once the time of supply is checked, the value of supply should be determined and ascertained as per the principles and provisions laid down in sec 15 of CGST Act, 2017.
d. Further it must be noted that, both the developer and the landowner can avail ITC of tax paid to each other if they sell the units before receiving completion certificate. However, there may be practical challenges in this as the tax liability is to be paid at completion and handover.
e. Hence, it becomes an audit check to ensure that credits have been taken only up to the date of receiving the completion certificate.
f. There may also be other valuation issues that may come up with respect to valuing the transfer of development rights and the value of construction service for both landowner and the developer. It would also include determining what value is to be attributable to the transfer of development rights and what value is to be attributed towards undivided interest in land.

39. What is the deduction available towards land when supply of services is by way

As per Notification No. 11/2017-CTR, a 1/3rd deduction is available from the total amount charged in case of transfer of property or undivided share of land of an under constructed building.
If in any case, the registered person is found to have claimed deduction in excess of 1/3rd of the total amount charged, the same shall become a litigative matter.

40. Would there be any provisions available in the FORM GSTR-9C to declare additional tax payment if any and the payments thereof?

Yes, there is provision made available in the FORM GSTR-9C where based on the auditor's recommendation, any additional liability to be discharged by the taxpayer due to non-reconciliation of the turnover or reversal of input tax liability shall be declared. Towards, the end of the reconciliation statement, taxpayers shall also be given an option to pay their taxes as recommended by the auditor.

41. Who would verify and sign FORM GSTR-9 and the Reconciliation statement of FORM GSTR-9C?

a. FORM GSTR-9 is to be verified and signed by the authorized signatory as registered on the GST Portal.
b. The reconciliation statement of FORM GSTR-9C is to be verified and signed by the auditor.

42. In a GST Audit should the auditor give a certification or a report at the end of the audit?

The GST Audit requires the auditor to give a certificate to the reconciliation statement prepared.
Certification is when the auditor provides a written confirmation to the accuracy of the facts stated therein and does not involve any opinion or estimates.
Report on the other hand is a formal statement made after examination and review of the matter under report and shall include the auditor's opinion.
Hence it is to be noted that the degree of risk bearing is more under GST Audit as the auditor is

required to certify the factual accuracy of what is stated therein unlike a report where he is responsible to ensure that the report is true and fair to the best of his knowledge and information furnished.

43. Would Karnataka VAT Audit be still applicable for the F.Y. 17-18 and what will be the due date?

VAT Audit shall be applicable for the period April'17 to June'17,

a. where the total turnover for the period exceeds ₹25 Lakh but is less than ₹1 Crore, the due date shall be 31st Mar, 2019
b. where the turnover is crossing more ₹1 Crore, the due date for filing the audited statement of account shall be 31st Dec 2018.

The audited statement of account shall be submitted in FORM VAT 240 to local SGST officer.

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