

## Accounts and Audit under GST

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### Abstract:

*Goods and Service Tax (GST) is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods and a lot more.*

*The next challenge before you after implementation of GST is maintenance of proper accounts and records under the Act. It is pertinent to mention that, without proper maintenance of accounts and records, the taxable person may find several difficulties in filling periodical returns under the Act. Moreover, non-compliance on the part of registered person may eventually result in demand notice.*

*The maintenance of "Accounts and Records" is specifically covered under Chapter VIII, Section 35 & 36 of CGST ACT, 2017 and Rule 56 to 58 of CGST Rules, 2017 made there under.*

*Audit under GST is the examination of records maintained by a registered dealer. The aim is to verify the correctness of information declared, taxes paid and to assess the compliance with GST.*

*The GST Law provides for self-assessment to facilitate easy compliance and payment of taxes. It also explains the notices, the demand and recovery provisions when the taxes are unpaid, short paid and/or returns are not filed.*

*Audit under GST is the examination of records maintained by the taxable person to verify the correctness of information declared, taxes paid and to assess the compliance with the provisions of GST.*

**Key Words** -Provisions to maintain books of account under GST  
-Provisions for Audit under GST

### Introduction:

GST is a trust based taxation regime wherein the taxpayer is himself required to self assess his tax liability and himself pay the same without any intervention by the tax officials. To ensure that there are no mis-appropriations in the self-assessed GST Returns, the govt has put in a place a robust audit mechanism to measure and ensure compliance of the provisions of the GST law by the taxpayer.

### Accounts & Records to Be Maintained Under GST (Sec. 35, 36 & Rules 56 to 58 of CGST Act)

Sec. 35 (1) - Every registered person shall keep and maintain at his Principle Place of Business, true and correct account of:

- Production or manufacture of goods;
- Inward and outward of goods or services or both;
- Stock of goods; Input tax credit availed;
- Output tax payable and paid; and
- Such other particulars as be prescribed

In case of multiple place of business, such related accounts records or accounts are to be kept and maintained at such place of business.

These accounts and records may also be kept and maintained in electronic form as per the manner prescribed.

As per sec. 35(3) -The commissioner may also notify additional accounts or documents to be maintained by such specified class of taxable persons.

As per sec. 35(4) –The commissioner may also relax the provisions of keeping and maintaining accounts and records in respect of any class of taxable persons if he feels that such class of persons are not in position to keep and maintain accounts and records as per the requirements of this section.

As per sec. 35(5) - Every registered person whose

aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C. (Rule 80(3)).

As per sec. 35(6) - Where registered person fails to account for the goods or services or both in accordance with section 35(1), the PO shall determine the amount of tax payable on the goods or service not accounted for, as if such goods or services have been supplied by him and penalty provisions of section 73 & 74 shall apply accordingly.

### **Period for Retention:**

As per sec. 36 - Every registered taxable person required to keep and maintain books of account or other records will maintain the books for at least 72 months, counted from the last date of filing of Annual Return.

In case of appeal or revision or any other proceedings or investigation, such records shall be retained for a period of 1 year after disposal of such appeal or revision or proceedings or investigation or for the period as specified above.

### **Accounts and Records Rules:**

As per Rule 56. Maintenance of accounts by registered persons.-

1. Every registered person shall keep and maintain, in addition to the particulars mentioned in sub-section (1) of section 35, a true and correct account of the: goods or services imported or exported, supplies attracting payment of tax on reverse charge along with the relevant documents, including invoices, bill of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.
2. Every registered person, other than Composition dealer, shall maintain the accounts of stock in respect of: goods received and supplied by him, and such

accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

3. Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.
4. Every registered person, other than Composition dealer, shall keep and maintain : an account containing the details of tax payable (including tax payable under RCM), tax collected and paid, input tax, input tax credit claimed, and a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.
5. Every registered person shall keep the particulars of - (a ) names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act; (b) names and complete addresses of the persons to whom he has supplied goods or services, where required under the provisions of this Chapter; (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.
6. If any taxable goods are found to be stored at any place(s) other than those declared under sub-rule (5) without the cover of any valid documents, the proper officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.
7. Every registered person shall keep the books of account at the principal place of business and books of account relating to additional place of business mentioned in his certificate of registration and such books of account shall include any

- electronic form of data stored on any electronic device.
8. Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and thereafter, the correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.
  9. Each volume of books of account maintained manually by the registered person shall be serially numbered.
  10. Unless proved otherwise, if any documents, registers, or any books of account belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.
  11. Every agent shall maintain accounts showing the: (a) particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately; (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal; (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal; (d) details of accounts furnished to every principal; and (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.
  12. Every registered person manufacturing goods shall maintain monthly production accounts showing quantitative details of: raw materials or services used in the manufacture and the goods so manufactured including the waste and by products thereof.
  13. Every registered person supplying services shall maintain the accounts showing quantitative details of: goods used in the provision of services, details of input services utilized and the services supplied.
  14. Every registered person executing works contract shall keep separate accounts for works contract showing - (a) the names and addresses of the persons on whose behalf the works contract is executed; (b) description, value and quantity (wherever applicable) of goods or services received for the execution of works contract; (c) description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract; (d) the details of payment received in respect of each works contract; and (e) the names and addresses of suppliers from whom he received goods or services.
  15. The records under the provisions of this Chapter may be maintained in electronic form and the record so maintained shall be authenticated by means of a digital signature.
  16. Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.
  17. Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of such registered person and shall produce the

details thereof as and when required by the proper officer.

18. Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law for the time being in force. Rule 57.

### **Generation and maintenance of electronic records.-**

1. Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.
2. The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
3. Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

### **Audit under GST:**

Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

### **Threshold for Audit**

Every registered taxable person whose turnover during a financial year exceeds the prescribed limit [as per the latest GST Rules, the turnover limit is above Rs 1 crore] shall get his accounts audited by a chartered accountant

or a cost accountant. He shall electronically file:

1. an annual return using the Form GSTR 9B along with the reconciliation statement by 31st December of the next Financial Year,
2. the audited copy of the annual accounts,
3. a reconciliation statement, reconciling the value of supplies declared in the return with the audited annual financial statement, and
4. other particulars as prescribed.

If any taxable person, after furnishing a return discovers any omission/incorrect details (from results of audit), he can rectify **subject to payment of interest**. However, no rectification will be allowed after the due date for filing of return for the month of September or second quarter, (as the case may be), following the end of the financial year, or the actual date of filing of the relevant annual return, whichever is earlier.

### **Audit by Tax Authorities**

The Commissioner of CGST/SGST (or any officer authorized by him) may conduct audit of a taxpayer. The frequency and manner of audit will be prescribed later.

A notice will be sent to the auditee at least 15 days before.

The audit will be completed within 3 months from date of commencement of the audit.

The Commissioner can extend the audit period for a further six months with reasons recorded in writing.

### **Obligations of the Auditee**

The taxable person will be required to:

- provide the necessary facility to verify the books of account/other documents as required
- to give information and assistance for timely completion of the audit.

### **Findings of Audit**

On conclusion of an audit, the officer will inform the taxable person within 30 days of:

- the findings,
- their reasons, and
- the taxable person's rights and obligations

If the audit results in detection of unpaid/shortpaid tax or wrong refund or wrong input tax credit availed, then demand and recovery actions will be initiated.

### Special Audit:

The Assistant Commissioner may initiate special audit, considering the nature and complexity of the case and interest of revenue. If he is of the opinion during any stage of scrutiny/enquiry/investigation that the value has not been correctly declared or the wrong credit has been availed then special audit can be initiated.

Special audit can be conducted even if the tax payers books have already been audited before.

The Assistant Commissioner (with the prior approval of the Commissioner) can order for special audit (in writing). The special audit will be carried out by a chartered accountant or a cost accountant nominated by the Commissioner.

The auditor will have to submit the report within 90 days. This may be further extended by the tax officer for 90 days on an application made by the taxable person or the auditor.

The expenses for examination and audit including the auditor's remuneration will be determined and paid by the Commissioner.

The taxable person will be given an opportunity of being heard in findings of the special audit.

If the audit results in detection of unpaid/

shortpaid tax or wrong refund or input tax credit wrongly availed then demand and recovery actions will be initiated.

Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

### Conclusion:

In India, the tax compliances by most tax payers leave a lot to be desired. Therefore, while the information provided by the tax payer would be accepted at its face value, there have to be certain checks and balances put in place to ensure that no tax leakages take place due to inadequate information of tax laws, negligence in maintaining records, human or technical errors and fraud.

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