



# **GST Annual Returns and Audit– Approach & Challenges**

## **Prashant Deshpande**

# Annual Return

Annual return to be filed on or before 31st December of subsequent financial year

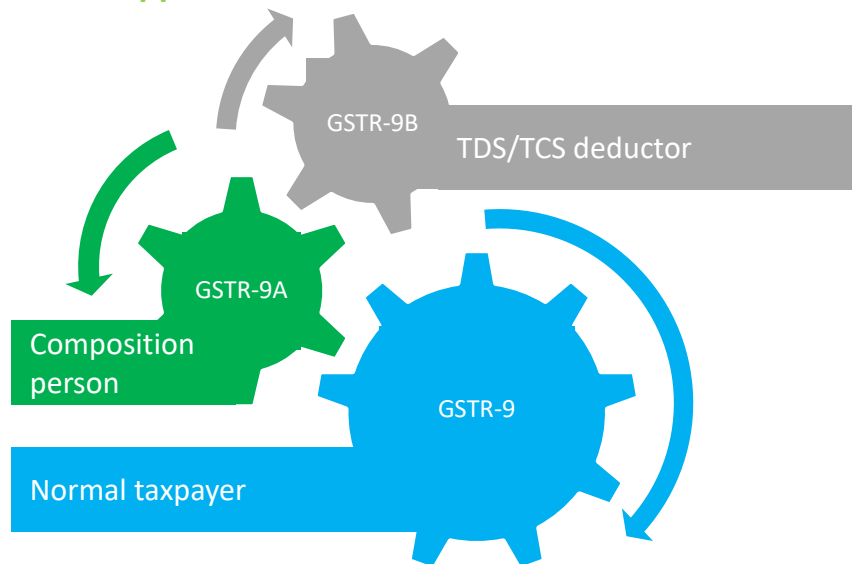
## Persons required to file

- Every registered person apart from exceptions
- OIDAR providers
- Registered person in each State

## Persons Not required to file

- Input service distributor
- Non-resident taxable person
- Casual taxable person

## Forms applicable



- Late fee – INR 100 per day | Maximum quarter per cent of the turnover reported in a state / UT
- General Penalty of INR 25,000

## Background– Annual Return

**Whether details furnished in GSTR-1 and GSTR-3B can be revised in Annual Return?**

No. Annual return is only a compilation of the returns filed in the FY. It **does not allow revision** in the details furnished in the GST returns

**Whether Annual Return can be revised?**

No. There is no such provision

**In case where a person has filed NIL return for the entire FY 2017-18 (July 2017 to March 2018), will this person be required to file a nil annual return?**

Yes. Section 44 clearly specifies that every registered taxable person has to file annual return irrespective of the fact that taxpayer has no supply during the relevant FY

**In case where a person whose registration has been cancelled during the financial year required to file annual return?**

No. **Annual return** has to be furnished only by a **registered person**. A person whose registration is **cancelled** is required to file a **final return**

# Bird's view of Annual Return in Form GSTR 9

## Part-I

Basic details of the taxpayer. This detail will be auto-populated.

## Part-II

Details of Outward and Inward supplies (RCM) declared during the financial year(FY).

## Part-III

Details of ITC declared (availed, reversed etc.)in GSTR-3B filed during the FY.

## Part-IV

Details of tax paid as declared in GSTR-3B filed during the FY

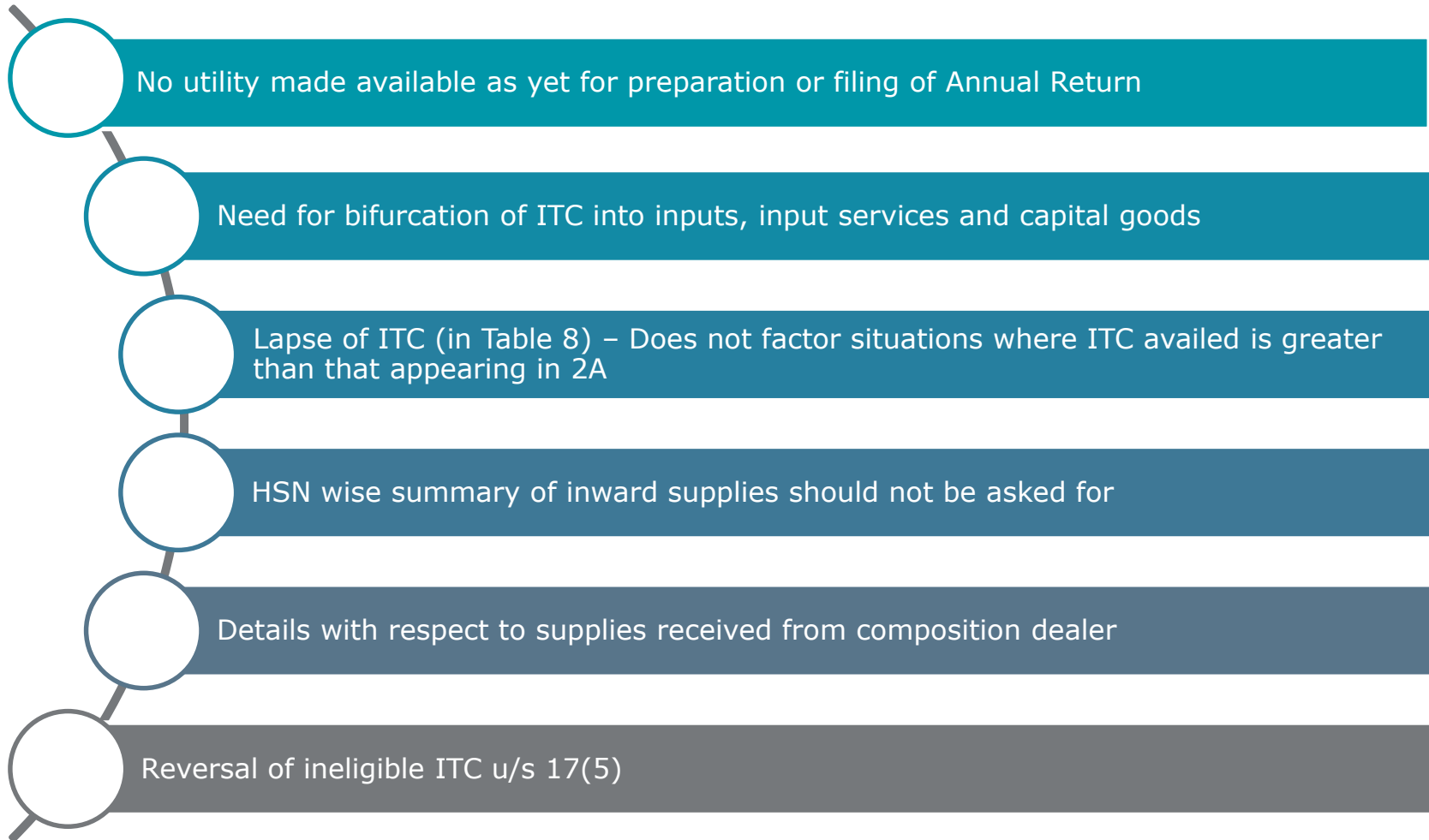
## Part-V

Particulars of the transactions for the previous FY declared in returns of April to September of current FY or up to the date of filing of annual returns of previous FY whichever is earlier. (Amendments)

## Part-VI

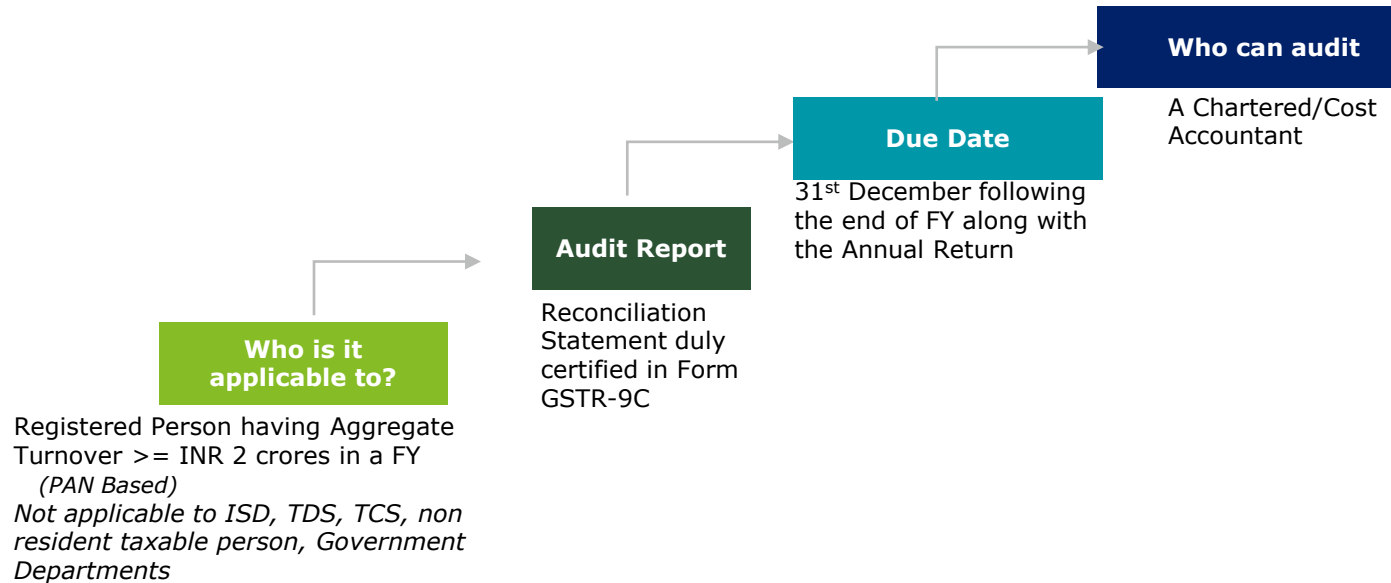
Other Information comprising details of GST demands and refunds, HSN wise summary information, Late fees payable and paid details, Segregation of inward supplies;

# Key Challenges in Annual Return



# GST Audit

## Background and Objective



### GST Audit - Objective

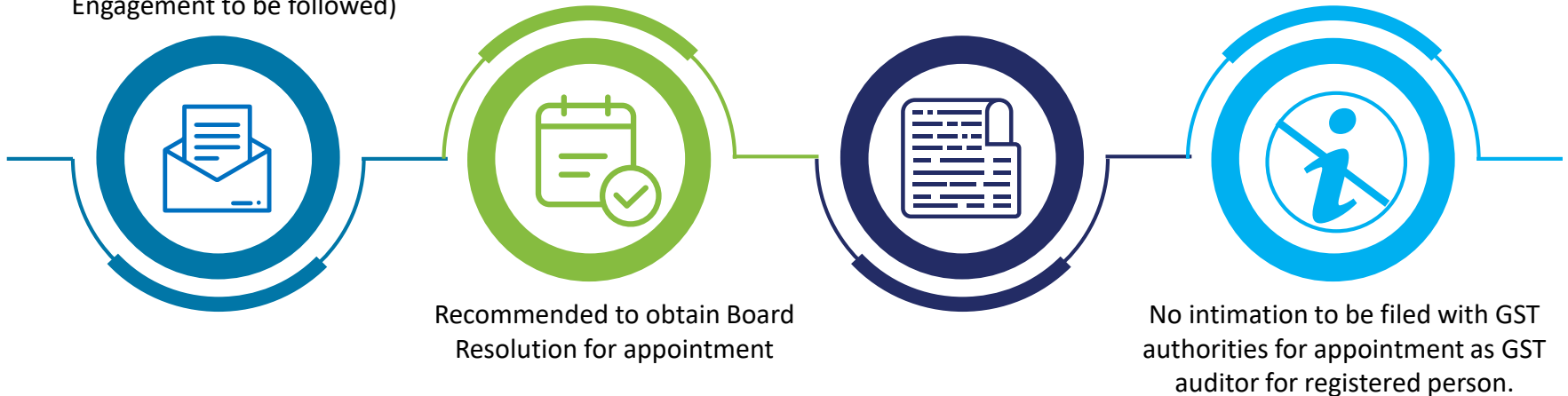
- Report on maintenance of Books of Accounts, Documents & Records as required under GST laws, Rules, Notifications
- Certify that Financial Statements are in agreement with the Books of Accounts maintained at the Principal place of business within the State
- Particulars given in GSTR 9C are "True" and "Correct" subject to observations / qualifications, if any

# Appointment of GST auditor

## Suggested process for appointment of GST Auditor

Registered person (auditee) should issue a letter of appointment to CA/CMA appointing him/them as GST auditor (SA 210 – Terms of Audit Engagement to be followed)

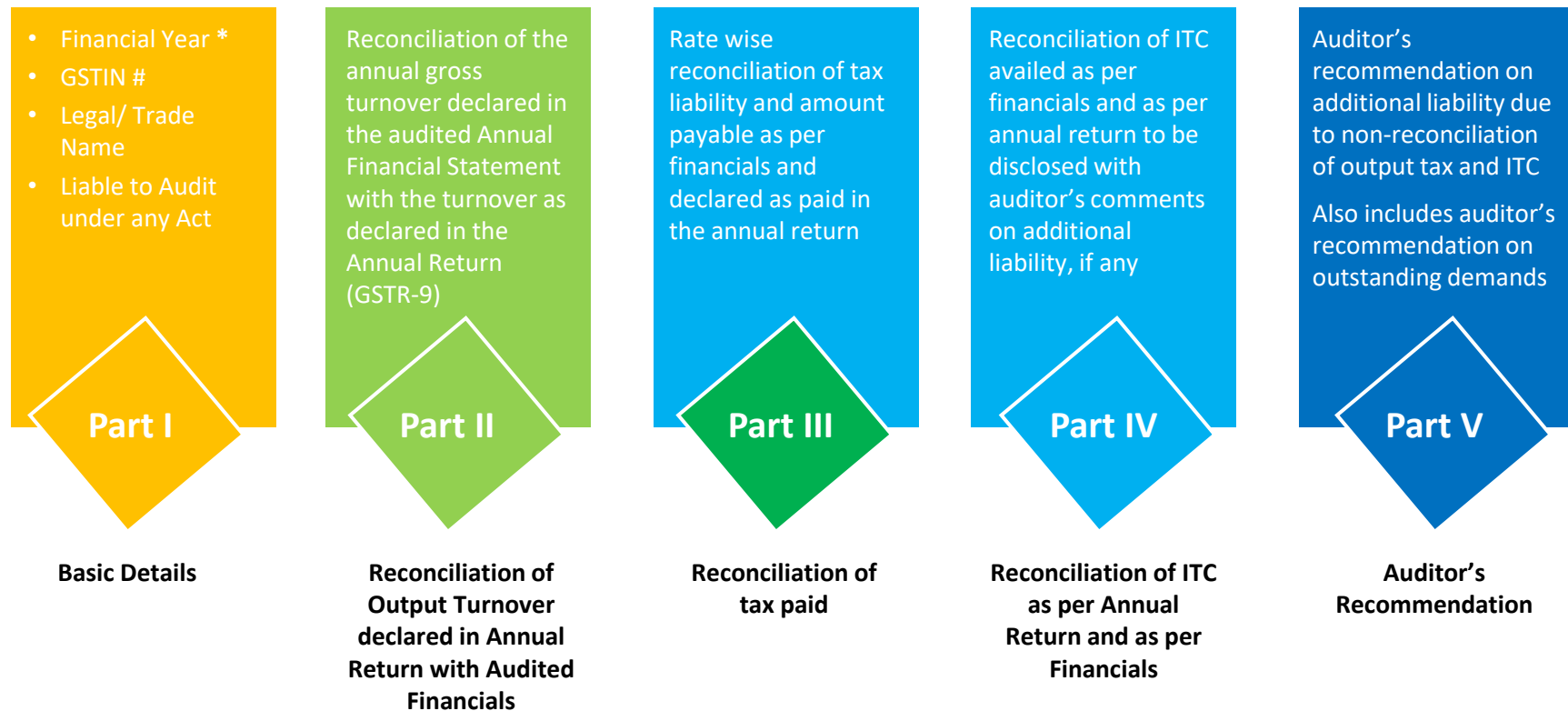
Appointment letter should clearly specify the GSTIN for which he/they are appointed as GST auditor.



- *Audit Fees - minimum recommended scales of fees for professional services issued by the ICAI from time to time may be adhered to.*
- *Normally, a GST auditor is expected to charge his audit fee based on the quantum of work, scope of the engagement, personnel deployed etc.*
- *Conflict of interest and audit independence norms issued by ICAI should be adhered to.*

# Walkthrough of Form GSTR-9C

## Overview - 9C - PART A



\* Financial year in the first year of GST regime would mean 2017-18 (1 July 2017 to 31 March 2018)

# The reconciliation statement is to be filed for every GSTIN separately



# Walkthrough of Form GSTR-9C (Contd...)

## GSTR - 9C - PART B - Certification


I. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by the person who had conducted the audit

- Report on maintenance of Books of Accounts, Documents & Records under GST;
- Certify that Financial Statements are in agreement with the Books of Accounts maintained at the principal place of business within the State
- Particulars given in GSTR are “True” and “Correct” subject to observations / qualifications, if any

II. Certification in cases where the reconciliation statement (FORM GSTR-9C) is drawn up by a person other than the person who had conducted the audit of the accounts

- Report on maintenance of Books of Accounts, Documents & Records under GST;
- Particulars given in GSTR 9 are “True” and “Correct” subject to observations / qualifications, if any


# Key Challenges



“True and correct” as distinguished from “True and Fair”.



Extent of obtaining information / explanation that are necessary for conduct of audit.



Affirmation that books of account have been maintained at principal place of business within the state.



Technical Positions such as :

- Services by employees of corporate office to units in other States and determination of inter-office supplies and their valuation.
- Use of brands by companies from their group entities located outside India.
- Incentives provided by employer to employee.
- Credit of KKC, EC and SHEC transitioned to GST.

# Discussions & Questions

