

Intricacies of the GST Audit for FY(18-19)



Presented to you by:
CA NAVYA MALHOTRA
[B. Com(H), M. Com, ACA, DISA
Certified GST Member-The I.C.A.I.]

Mobile: 8447137367





Intricacies of the GST Audit for FY(18-19) including the recent developments



Prerequisite for GST Audit

- Understanding the business of Auditee
- Understanding of Accounting
- Understanding of the GST Laws
- IT Infrastructure
- Applicability of various notification, circulars, clarifications,
- Classification and nature of supplies
- Manner of availment of credit

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Point to be Kept in mind during GST Audit

- Applicability of E-way bill provisions
- Series of documents declared in GSTR 1
- Increase in Limit of Aggregate Turnover for GST Audit
- Extension of Date for Filing of GSTR 9 & 9C
- Various other provisions effective within a financial year of Audit
 - ✓ TDS/TCS Provisions applicable from 01st October 2018.
 - ✓ New amendment act effective from 01st February 2019.
 - ✓ RCM on Security Services applicable wef 01st January 2019.
- Clarity as to various aspects through AAR and judicial pronouncements
- Spill Over Effects of PFY and SFY.

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Applicability of E-way bill provisions

Press Release : 16th December, 2017 & 10th March 2018.

Decision of GST Council : Inter-State e-way Bill to be made compulsory from 1st of February, 2018; system to be ready by 16th of January, 2018. Now, 1st April Rollout for Inter state movement.

Audit Concern:

Tally the data as per GSTR-1 with Books of accounts and then the E-Way Bill generation report.



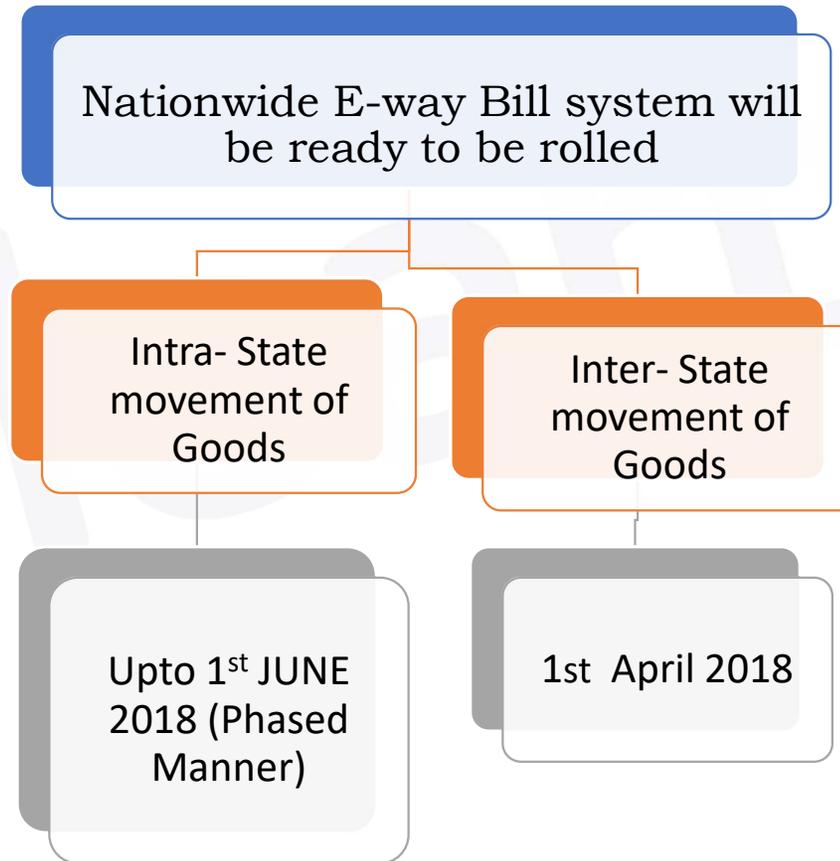


Applicability of E-way bill provisions

- Matching of invoices of e-way bills with the sales shown in GSTR-1 will help suppliers in assessing whether the supplies have been accurately shown in sales return and GST paid on the same.
- This will be a significant tool with the GST authorities in curbing tax-evading practices.
- Notices are served by the authorities seeking clarifications for differences in tax amounts and various other discrepancies noticed.
- Any action taken by the tax authorities against the business for non/wrong generation of E-way bill



Applicability of E-way bill provisions





Series of documents declared in GSTR 1

Key Points to be disclosed in GSTR-1 are as follows:

- Supplies made to registered persons (B2B invoices)
- Inter State supplies to unregistered persons where invoice value is more than Rs 2.5 lakhs. (B2CL invoices).
- Zero rated supplies and deemed exports
- Consolidated supplies of inter state supplies and intra state supplies (B2CS invoices)
- Consolidated values of interstate and intra state Nil rated supplies, Exempted and Non-GST supplies.
- Details of Credit notes/ Debit notes /Amendments to the invoices issued
- Details of HSN wise summary of outward supplies
- Documents issued during the current period.

Due Date for GST Annual Return

July 2017 to March 2018	Due date
Original Date	31.12.2018
Extended to	31.03.2019
Further extended to	30.06.2019
Further extended to	31.08.2019
Further extended to	30.11.2019
Further extended to	31.12.2019
Further extended to	31.01.2020

April 2018 to March 2019	Due date
Original Date	31.12.2019
Extended to	31.03.2020
Further extended to	30.06.2020
Further extended to	30.09.2020

Notification No. 41/2020- CTdated05.05.2020

GST Annual Return and Reconciliation Statement for the F.Y. 2018-19

Aggregate Turnover	GSTR-9	GSTR-9C
Less than 2 crore	Optional	Not applicable
2 crore – 5 crore	Mandatory	Not applicable
More than 5 crore	Mandatory	Mandatory

Notification No. 16/2020- CT dated 23.03.2020

Effective date: TDS

Notification No. 33/2017 – Central Tax dated 15.09.2017 was issued by the CBIC to enable registration of tax deductors. However, Government suspended the applicability of TDS till 30.09.2018. Now, it has been decided that the TDS provision would be made operative with effect from 01.10.2018. Notification No. 50/2018-Central Tax dated 13.09.2018 has already been issued in this regard by CBIC. Similar notifications have been issued by respective State Governments.

Effective date: TCS

Starting 1st October 2018, every e-commerce operator has to collect TCS barring a few exceptions. This article will give you information about how TCS works under GST.

Tax Collected at Source (TCS) under GST means the tax collected by an e-commerce operator from the consideration received by it on behalf of the supplier of goods, or services who makes supplies through operator's online platform. TCS will be charged as a percentage on the net taxable supplies.

Reverse Charge Mechanism applicability on security services:

In terms of Notification no.29/2018- Central Tax (Rate) has been issued to include the security personnel services under the ambit of Reverse Charge Mechanism. The notification is effective from the **01/01/2019** and to be considered for the GSTR-3B of January 2019. This is similar to security agency services liable to RCM under Service Tax regime.

According to the notification: Security services provided by any person other than body corporate to a registered person, the recipient is liable to discharge GST under RCM.

Following persons are excluded from paying GST under RCM, these continues to be liable under the hands of security Agency (forward charge)

1. When the following authorities only taken registration for the purpose of deducting TDS
 - a. Department/establishment of CG, SG or UT
 - b. Local authority
 - c. Government agencies
2. Persons registered under composition scheme

The reverse charge provisions have been introduced only where services provided are in the nature of 'supply of security personnel' only. Further, the tax has to be paid under reverse charge mechanism on the gross amount charged (security personnel cost + PF + ESI + service charges + other charges) by the security service providers and not merely on the service charges.

Reverse Charge Mechanism applicability on security services:

Supplier	Recipient	Reverse/Forward Charge
Body corporate (Unregd.)	Registered person	No GST
Body corporate (Regd.)	Registered person	FCM
Other than body corp. (Regd.)	Registered person	RCM
Other than body corp. (Regd.)	Regd. For TDS	FCM
Other than body corp. (Regd.)	Composite Dealer	FCM
Other than body corp. (uregd.)	Registered person	RCM
Registered person	Unregistered	FCM
Unregistered	Unregistered	No GST

GST AMENDMENTS – HIGHLIGHTS AT A GLANCE

<u>SL</u>	<u>PARTICULARS</u>
1	Definition of adjudicating authority to exclude National Anti- Profiteering Authority.
2	Modification in the clause relating to race club in the definition of Business
3	Modification in the definition of Cost Accountant.
4	Insertion of Article 371 J in the definition of local authority
5	Omission of the definition of business vertical
6	Definition of services modified to cover facilitation or arranging transactions and securities
7	Retrospective amendment in the definition of supply as regards Schedule II
8	Entities not registered under GST are liable to pay tax on Import of services
9	Merchant trade transactions, high sea sales and supply of warehoused goods before clearance for home consumptions not to be treated as supplies
10	Restrictive applicability of Section 9 (4)

11	Increase in composition threshold limit, rationalization of reverse charge provisions and allowance of provision of services for Composition
12	Rationalization of time of supply provisions for goods and services
13	ITC on services provided to any person on direction of / on account of another person
14	Entitlement of ITC upon payment by the supplier subject to the new return filing procedure
15	ITC availability on Schedule III items.
16	Expansion of Scope of availability of ITC on motor vehicles
17	Expansion of Scope of ITC for Section 17(5) clause(b)
18	Insertion of Entry 92A in the exclusions from turnover for distribution of credit
19	Threshold exemption limit for registration increased for certain states
20	Compulsory registration only for e-commerce operator required to collect TCS
21	Multiple registrations for each place of business and separate registration for SEZ
22	Suspension allowed upon cancellation of registration

23	Accounts to be audited for specified class of registered person.
24	Empowerment of time limit and periodicity for filing of return through rules
25	Payment of tax on a monthly frequency for quarterly taxpayers
26	Correction of mistake through an alternate mechanism including amendment return
27	Procedure for furnishing return and availing ITC in the new return filing Mechanism
28	Expanding the working area of GST Practitioner
29	Utilization of IGST first against payment of any tax
30	Concept of matching extended to GSTR 3B for e-com transactions (not just GSTR1)
31	Modification of relevant date in case of refund of unutilised credit
32	Unjust enrichment applicable in case of refund on supplies to SEZ developer/unit
33	Relevant date for Export of services to include cases where payment received in INR if permitted by RBI
34	Person to include distinct person for recovery and definition of collector specified
35	Ceiling limit for pre deposit for filing appeal before Appellate Authority.

36	Ceiling limit for filing appeal before Appellate Tribunal
37	Time limit for payment of tax or penalty for goods detained or seized increased to 14 days
48	Retrospective amendment in the transitional credit.
39 & 40	Issue of consolidated credit note in a financial year. AND Issue of consolidated debit note in a financial year

Various Rulings, Clarifications and Judicial Pronouncements

1. Taxability of Directors Remuneration (Clay Kraft India)
2. Cross Charge between various branches (Columbia Asia Hospitals)
3. GST applicability on recovery from employees (Caltech Polymers)
4. Press release dated 03rd July 2019
5. Optional tables for annual return and reco statement for FY 2018-19. (NN 56/2019 dt 14.11.2019)
6. Treatment of various transactions like FOC supplies, Import of Services, Advance received on service and financial debit/credit Notes



Focus areas of the GST audit for FY 18-19



Various Reconciliations

- Invoices v/s BOA
- BOA v/s 3B
- BOA v/s GSTR1
- 3B v/s1
- Payment vouchers v/s
Invoices – Unregistered
- Purchase register v/s 2A
- 2A v/s 3B
- Turnover as in GST
Returns v/s BOA
- Eway bill Vs GSTR1
- Eway bill vs Sales
- Eway bill vs Purchase
- Eway bill vs non
supply

Some important points

- Reversal of ITC under Rule 37 – non payment within 180 days
- Reversal of ITC under Rule 42 and 43
- Blocked Credit
- ITC used for personal use
- RCM under Section 9(4)/5(4)
- GST on Advance received towards goods
- Cross charge between Distinct Persons



thank you!

Contact details are as below:

CA Navya Malhotra

Mobile: +91- 84471 37367

Email : navyamalhotra28@gmail.com

Facebook : CA Navya Malhotra

Address : A-1/368, Rohini Sector-17, New Delhi-110085