

under Section 148 of the Companies Act, 2013; the income-tax audit report, if any, under Section 44AB of the Income-Tax Act, 1961; and any other relevant record.

(d) Rule 101 of the CGST Rules, 2017 prescribes the process and also the forms for notifying the registered taxpayer about the dates for conducting the Audit in the **FORM GST ADT-01** and for informing the findings of audit to the registered person in the **FORM GST ADT-02**.

**Salient features of the Audit Process adopted by the department are:**

- (a) Intimation to the Taxpayer regarding the conduct of audit in the form of a letter;
- (b) Reviewing the taxpayer data- the officer reviews the information contained in the data provided by the taxpayer to the department and conducting desk review in the office;
- (c) Preparing the audit plan based on the finding of Desk Review;
- (d) Carrying out audit verification as per the Audit Plan;
- (e) Conveying the preliminary findings of the audit to the taxpayer and recording his response;

- (f) Preparing the draft audit report for the Monitoring Committee Meeting (MCM) held by the Commissioner. Examining the audit paras in MCM;
- (g) Preparing the final audit report and communicating the final audit report to taxpayer in the **FORM GST ADT-02**;
- (h) Communicating to the Taxpayer the future course of action in case of contested paras.

Thus, GST audit is not only for reconciliation of tax liability and payment thereof but it also encompasses the verification of compliance with the provisions of the GST laws by a registered person and educating the taxpayer to be more compliant with the law and procedure.

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# GST Audit In GST Regime



कुंजी, देश के सर्वांगीण विकास की

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# AUDIT IN GST REGIME

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# Audit in GST Regime

The objective of audit of taxpayers is to measure the level of compliance of the taxpayer in the light of the provisions of the CGST Act, 2017 and the rules made there under. The activity of Audit by the department is to examine the records, returns and other documents maintained or furnished by the taxpayer in order 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 the CGST Act and rules made there-under.

## Principles of audit by the department in GST regime:

The basic principles of audit are -

- (a) Conducting audit in a systematic and comprehensive manner;
- (b) Emphasis on the identified risk areas and scrutinizing the records maintained in the normal course of business;
- (c) Applying audit techniques on the basis of materiality i.e. degree of scrutiny and application of an audit tool depending upon the identified nature of risk factors;
- (d) Proper recording of all checks and findings made during the entire audit;
- (e) Identifying the unexplored compliance verification parameters;
- (f) Educating the taxpayer for voluntary compliance.

## Rights and Benefit to the taxpayer in audit:

The taxpayer should get an intimation atleast fifteen days in advance intimating the date of audit. All audit findings are discussed with taxpayer by the auditor. Preliminary findings of audit are conveyed to the taxpayer and his views/comments are taken on record.

The taxpayer is conveyed in writing a choice to make the payment of tax short paid / not paid with waiver of show cause notice. The final audit findings are informed to the taxpayer within thirty days along with his rights and obligations and the reasons for such findings. The entire audit process is to be completed within a period of three months from the date of commencement. In case the audit cannot be completed, the period can be extended by further six months by the Commissioner of CGST.

After the implementation of GST w.e.f. 1st July, 2017 the audit of Taxpayers in GST was kept on hold to allow the taxpayers to get accustomed with the new Tax regime and also to make sure that database of taxpayers is available with the Department.

- (a) CBIC had decided that GST audits should commence from 1<sup>st</sup> July, 2019. The audits are conducted by the officers posted in the Audit Commissionerates and these officers have been advised that the audits should be conducted in such a manner so as to cause least inconvenience to the taxpayer.

There should not be any disruption in the conduct of business by the taxpayers. In view of the fact that some of the taxpayers

may be new to the concept of audit by this department for the reason that they were earlier registered with State authorities, special care would be taken of such taxpayers and the audit officers have been advised to minimize the litigation in case of any bonafide mistake noticed during audit.

- (b) In case of smaller category of taxpayers, the field formations have been advised not to visit the taxpayer's premises and conduct desk audit in the office based on documents/information made available by the taxpayer.
- (c) Most of the digital information of the taxpayers already available with the department is made available to the auditors, so that they do not ask the taxpayer to provide the same.

## Legal Provisions:

- (a) Section 2(13) of CGST Act, 2017 defines 'Audit' as "the examination of records, returns and other documents maintained or furnished by the registered person under this Act or Rules made there-under or under any other law for the time being in force to verify, inter alia, 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 rules made there-under".
- (b) As per Section 65 of the CGST Act, 2017 the

officers are authorised by the Commissioner to conduct audit after prior intimation to the registered taxpayer, either at the business premises of the taxpayer or office. The audit needs to be completed within a period of three months from the date of commencement and can be extended for a further period of six months by the Commissioner.

On conclusion of audit, the registered taxpayer whose records were audited is informed within thirty days about the findings, his rights and obligations and the reasons for such findings.

- (c) Section 71 of CGST Act, 2017 provides for access to business premises and records of taxpayer for Audit, by the officers. The section also describes the major documents required to be submitted by the taxpayer such as trial balance or its equivalent; statements of annual financial accounts, duly audited, wherever required; cost audit report, if any,

